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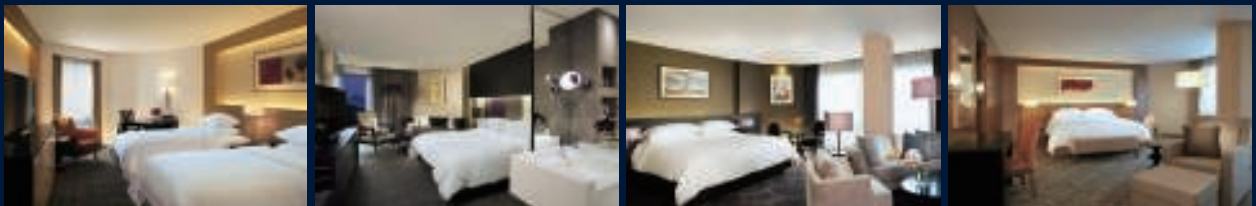


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Korea-US Alliance vs. US-Japan Alliance

An official at the US Department of Defense recently said that the US government welcomes Japan's efforts to normalize its role in the international community to contribute to peace and regional security in North-east Asia.

This announcement is regarded as an expression of its official support for Japan's right of collective self-defense. Moreover, many US officials are considering this expansion of Japan's power inevitable in order to

deal with the security threats in the region. In international politics, the right of collective self-defense is defined as the right to launch counterattacks when an ally is under attack, considering it as an invasion of the entire alliance.

Under the circumstances, the South Korean government is trying to alleviate the concerns of the general public by saying that the right of collective self-defense does not cover the Korean peninsula, because Washington's support presumes Japan's military role is within the framework of the US-Japan Alliance not to allow Tokyo to take its own way.

The US government is also claiming that it is fully aware of what many Koreans are worried about, saying that it means a stronger deterrent against the military threats faced by the US, Japan, and South Korea. It also clarified that Washington and Tokyo will have to go through in-depth policy coordination with Seoul when it comes to the Korean peninsula.

The Korean government is likely to block any negative impact on its national and security interests via the ROK-US alliance and by intervening actively in the Japan Guideline revision process.

Still, the ROK-US alliance is quite different from that of the US and Japan, which is on the rise for American global strategists. The former is a result of the Cold War era, whereas the latter has more to do with the modern-day containment of China, a nascent second world superpower. This is why many Korean diplomatic experts are concerned over the possibility of the ROK-US alliance being demoted to a limited role compared to the US-Japan alliance.

China shares Korea's concerns over Japan's expansion of the military role. Although Washington is trying to stand aloof from historical conflicts in the region while maintaining the three-party alliance between itself, Seoul, and Tokyo, it is likely to have a hard time mustering support from the Korean people. This is a dilemma for the Korean government, too.

Both Korea and the US need to respect the other party's national interests while making more practical efforts for the cooperation and coordination they need. In particular, Washington needs to gain sympathy for its global strategies from the nation and people concerned by admitting that it has played at least a part of the ongoing historical and territorial disputes in Northeast Asia.

Park Jung-hwan,
 Publisher & Editor-in-Chief

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KOREA-RUSSIA SUMMIT

Will Summit Provide Platform to Start Triangular Cooperation?



Korean President Park Geun-hye and Russian President Vladimir Putin shake hands at the summit talks held on November 13.

The Presidents of South Korea and Russia met with each other in Seoul on November 13. The summit meeting resulted in a promise to further promote two-way economic cooperation in a wide variety of fields to ease the tension on the Korean peninsula. There, the former proposed the concept of the Eurasia Initiative, which is characterized by considering the Eurasia region as a single giant market and fostering multi-lateral growth in the region in an attempt to encourage the North to open itself up and set the stage for peaceful reunification between the two Koreas.

Another significant result of the meeting is the increased probability of a connection between the Trans-Siberian Railway (TSR) and Trans-Korean Railway (TKR), to go from Busan City to Europe via North Korea and Russia. The railway network is expected to be a catalyst for the Eurasia Initiative and the various types of economic cooperation to progress via its framework.

The latter, in the meantime, agreed to the South Korean government's hard-

line stance against the North's nuclear programs, along with its North Korea policy called the Korean Peninsula Peace Process and Northeast Asia Peace and Cooperation Initiative. Given that Russia has had great influence with Pyongyang, the summit talks are likely to remain an important deterrent against North Korea down the road.

Eurasia Initiative Given Concrete Shape

During the talks, the two parties signed two agreements and no less than 15 MOUs for economic cooperation.

One of the most important of these is an MOU for the Rajin-Khasan Logistics Cooperation Project, led by a 70~30 joint venture between the national railway agency of Russia and Rajin Port of North Korea. The new MOU is going to open the door for South Korean companies such as POSCO for equity holding and management. The MOU covers different procedures concerning their participation in the repair and maintenance of the 54km long railroads between Rajin and Khasan, development of ports and termi-

nals in Rajin, management of the inter-modal logistics business, and other tasks.

POSCO and some other South Korean corporations will take part in it by acquiring approximately one-half of the Russian shares in the joint venture. Once it turns out to be successful, it is likely to be a benchmark model for additional future projects while fostering the openness of Pyongyang. Although it is no direct investment in North Korea, it is predicted to be a new tool to alleviate the tension between the two Koreas that has revolved around Mt. Kumgang tourism and the Kaesong Industrial Complex.

The two countries also concluded a shipbuilding industry MOU to work together in the design, construction, and financing of the Zvezda Shipyard, provision of order placement information, and other details. Based on the MOU, Russia is going to place at least 13 orders for LNG carrier construction on the condition of technological transfer so as to develop its shipbuilding industry, which signals a great opportunity for Korean shipbuilders. The deal was signed by Daewoo Shipbuilding and Marine Engineering and Rosneft.

In the energy infrastructure field, the construction of gas pipes via North Korea for the introduction of natural gas produced in Russia has been determined to be given a concrete shape over an extended period of time, allowing for conditions in the North and the economic feasibility of the undertaking. The project, once accelerated, is expected to contribute to the Korean government's efforts for energy source diversification and the peace-building process on the peninsula.

Also, the Korea Electric Power Cor-

poration (KEPCO) and its Russian counterpart FSK promised joint research on power grid connections, while LG CNS, Hevel and Avelar Solar concluded a three-party MOU to join forces in a project financing-based, 500MW photovoltaic power plant construction project to be completed by 2020. Worth approximately 1.8 trillion won (US\$1.68 billion), the construction project will be key to dominating the global solar power market in advance, and increase their presence in the fast-growing future industry.


Groundwork Laid for Comprehensive Financial Cooperation

Diverse joint investment platforms were prepared through the summit meeting to buttress economic cooperation as well. For example, the Export-Import Bank of Korea and its peer VEB agreed to raise US\$1 billion in development funds on a 50-50 basis for three years for infrastructure development and overseas business activities.

Likewise, the Korea Investment Corporation and the Russian Direct Investment Fund (RDIF) inked a similar US\$500 million MOU, while the Export-Import Bank of Korea and Sberbank signed a long-term financing support MOU at US\$1.5 billion in order to back up Korean companies' plant, marine vessel, infrastructure, energy, and natural resources development. The MOUs are expected to reduce financial risk to facilitate their business in Russia. When it comes to the development of the North Pole Route, South Korean vessels are allowed to navigate in Russia's territorial waters and continental shelf, and to use Russian ports and harbors.

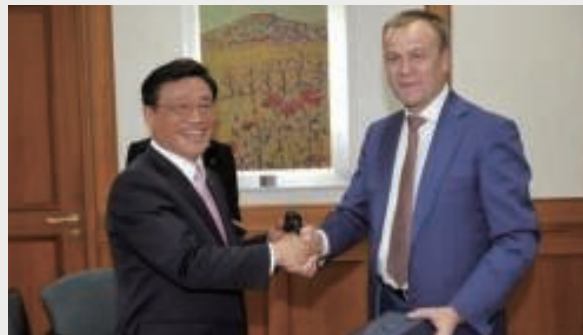
Furthermore, the two governments agreed to the construction of the Korea-Russia Innovation Center to expand their cooperation in the advanced technology industry. The new facilities are planned to be engaged in the development of biotechnology and energy technology

in the Skolkovo Complex in the vicinity of Moscow. The Ministry of Health and Welfare and the Russian Ministry of Health concluded another MOU for more systematic cooperation in the medical and healthcare fields. Under the circumstances, the bilateral cooperation is forecast to be expanded to new drug development, medical appliances manufacturing, and more.

At the same time, they agreed on the joint research for economic cooperation road map, expansion of sharing of economic development experiences, and further support for Korean companies doing business in Russia. Agreements were concluded for visa exemption for tourists and entrepreneurs who visit the other country for 60 days or less, and for the establishment of culture centers. They are going to foster collaboration on the environmental cooperation side as well as in the aerospace, military technology, and nuclear industries. 

IRKUTSK REGION DEVELOPMENT

Korea to Expand Economic Cooperation with Russia's Irkutsk Region



KOTRA CEO Oh Young-ho shakes hands with Irkutsk Region Governor Sergei Eroshchenko after signing an agreement for cooperation in infrastructure and natural resource development at the headquarters of KOTRA on November 16.

The Korea Trade-Investment Promotion Agency (KOTRA) announced on November 17 that South Korea and Russia's Irkutsk region agreed to strengthen their cooperation in infrastructure, healthcare, and resource development.

Located within an hour of Lake Baikal on the Trans-Siberian Railway, the Irkutsk region is endowed with abundant natural resources such as oil, natural gas, coal, and gold. Moreover, it is highly likely that the region will grow as a trade center for Siberia and Central Asia.

KOTRA will make an effort to support Korean compa-

nies' entry into the region by dispatching a Korean investment delegation, and hosting conferences and briefings aimed at promoting exports.

Irkutsk Region Governor Sergei Eroshchenko, who accompanied Russian President Vladimir Putin to Korea, said, "I hope that Korean businesses will be actively involved in the construction of smart cities, the reconstruction of the Irkutsk International Airport, the construction of a shipyard on the banks of Lake Baikal, the development of resources, and the healthcare sector."

PROMOTION OF VENTURES AND STARTUPS

What Is Casting Damper on Current Venture and Startup Boom?



Legal and financial systems are hindering the growth of venture firms and startups while Park Geun-hye administration is trying to foster them in the framework of the creative economy.

During the past few decades, the Korean economy has grown at a rapid pace by means of government-led policy focusing on chaebol, or conglomerates. With the economic growth model revealing its own limitations, the Park Geun-hye administration is trying to foster the growth of venture firms and startups in the framework of the creative economy.

Under the circumstances, the general public is getting more and more interested in setting up their own companies. An increasing number of related contests are taking place now, while more organizations like business incubators and accelerators work actively.

Such efforts have resulted in at least some revitalization of the venture and startup sector, which has been evidenced by improving industrial indices. Both the number of companies and total

investment in the sector are showing an upward trend these days. However, those bills associated with the promotion of startups and venture firms have been pending in the National Assembly for six months or more, posing concerns that the sector could lose steam and fall back into stagnation.

According to the Ministry of Science, ICT and Future Planning (MSIP) and the Small and Medium Business Administration (SMBA), signs of another venture boom will be seen six months from the implementation of the industry promotion plans prepared by seven agencies concerned, including the Ministry of Strategy & Finance, the Financial Services Commission, the SMBA, and the MSIP. Specifically, the related indices such as the number of venture firms, angel investment in them, the number of newly founded corporations, and that of

collegiate startup clubs are on the rise altogether.

The number of venture firms is 29,044 as of the end of September, already having exceeded last year's total of 28,193. Venture investment has reached 984.2 billion won (US\$927 million) during the same period, to show an 11.8% growth from a year earlier. The amount is likely to further increase once the Growth Ladder Fund (worth two trillion won), the Future Creation Fund (600 billion won) and the First-generation Venture Fund (100 billion won) are on the track in the near future.

The number of newly founded corporations increased 0.2% from 51,057 to 51,151 until August, too. Although the rate of increase is rather small, the number increased 23% when compared to the five year average. In addition, that of collegiate societies rose 50%, from

1,222 to 1,833, between 2012 and the first eight months of this year.

Still, the legal and financial systems for supporting venture firms and startups are far from satisfactory now. The bills associated with the May 15 Plans for Virtuous Cycle in Venture and Startup Investment Ecosystems have been pending for half a year. For instance, the Support for Small and Medium-sized Enterprise Establishment Act, the Act on Special Measures for the Promotion of Venture Businesses for angel investment income tax deduction, and the Capital Market and Financial Investment Business Act for crowd funding are tabled in the National Assembly's standing committees. However, deliberation is showing no progress at all.

In particular, the act to facilitate the incorporation of granddaughter companies into holding companies for easier acquisition of venture firms by conglomerates is facing strong opposition from some lawmakers and civic organizations. The dissenters are claiming that the government's plan, in which venture or small firms with an R&D investment-to-sales ratio of at least 5% acquired by large corporations, are allowed to be out of the group of subsidiaries for three years, could be abused for reckless business expansion. Meanwhile, small companies and venture firms are demanding that the regulations be eased for more acquisitions by leading companies.

At first, small and midsize enterprises (SMEs) and venture firms expected that they will be able to enjoy a greater inflow of investment thanks to deregulation plans and tax benefits. However, they are now finding it inevitable to alter their business plans for next year's set up on the assumption of investment inflow.

According to industry sources and the National Assembly, the delay in policy implementation is causing difficulties in about 30,000 innovation-centered SMEs. The political conflicts between the ruling and opposition parties have put a brake on the processing of bills, hindering new investment attraction and M&A.

The government's plans are expected to increase venture investments from 6.3 trillion won (US\$5.9 billion) to 10.6 trillion won (US\$10 billion) for five years to come, while raising venture sales and employment by 1.7 and 0.8 percentage points, respectively. The thing is, the rosy picture can be drawn only when the plans go as scheduled.

Bottleneck Phenomenon Aggravating Venture Ecosystem

It is also being pointed out that the local venture ecosystem is still very vulnerable, though the size of venture investment is increasing with the government's focus laid not on financing but investment. A venture industry ecosystem is made up of various elements like technology, manpower, and financial resources, but one of the most important is the system in which investment and profits can be recovered. Experts are saying that the system is not operating normally, which exacerbates the weakness.

The bottleneck phenomenon in the venture industry is becoming worse this year as the IPO market is in the doldrums. In short, investment recovery is slow while investments are surging.

The number of new IPOs this year stood at just 32 as of November 17 this year. The new listings on the KOSDAQ market, which is the IPO channel for venture firms, is no more than 25. It is

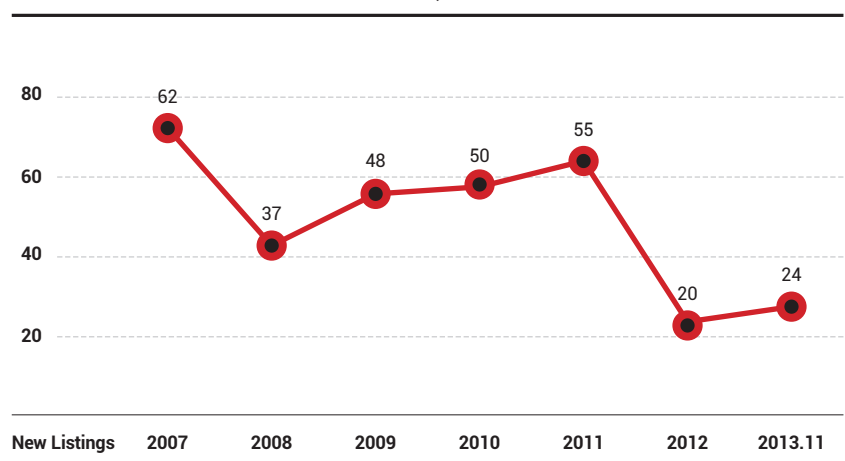
the lowest figure since 2012, when it was 22. The lack of new listings is likely to continue until the end of this year.

According to industry experts, the figure should be at least 50 to 60 if the venture investment ecosystem can function as desired. Venture investment has soared though since last year, owing to promotion plans. Investment resources are expected to increase a couple of years down the road, too.

An imbalance in the venture ecosystem is inevitable, with investment and recovery moving in opposite directions. The market is showing few signs of change, even though the government opened the Korea New Exchange (KONEX) market in July and came up with the May 15 plans.

"Investment and recovery must move in tandem with each other if the venture investment can be continuous," said a venture capital industry insider, adding, "If the current imbalance goes on, the venture capital market as one of the important pillars of the venture ecosystem could collapse." He went on to say, "The fundamental problem is that the Korea Exchange applies almost the same listing qualification, that is, approximately 50 billion [won, US\$47 million] in sales, to KOSPI and KOSDAQ companies, and it needs to reconsider the intent of the KOSDAQ market for innovation-centered firms." 

NUMBER OF KOSDAQ LISTINGS BY YEAR



FINANCING ECOSYSTEM IMPROVEMENT PLAN

Focus Shifting from Lending to Investment for Financing Start-up Companies



Han Jung-hwa (the second from right), Administrator of the Small & Medium Business Administration, is briefing on "Venture and Start-up Financing Ecosystem Improvement Plan" at the "Economy-related Ministerial Meeting" on May 15 this year.

The government held an economic ministerial meeting on May 15 and announced the Venture and Start-up Financing Ecosystem Improvement Plan. The plan focuses on dealing with chronic bottleneck situations regarding the financing structure of venture and start-up firms, angel investment and reinvestment, investment recovery, and related issues.

In detail, the financing structure is being altered from loan-centered to investment-oriented, while growth phase-specific investment and investment recovery systems are put into place by means of the promotion of angel investment, technology and innovation-centered M&As, and the new stock exchange named KONEX, or Korea New Exchange. In addition, stages are being set for further reinvestment and mentoring by successful first-generation venture entrepreneurs, and auxiliary infrastructure is beefed up through the diversification of start-up platforms, personnel training, tech leak prevention, and other opportunities for fresh starts.

In particular, the plan came up with more than enough incentives so that the funds recovered by first-generation venture firms can be re-invested in other venture and start-up firms. When a venture company is sold and a re-investment is made in

another venture firm within a certain period of time, the 10% capital gains tax is postponed until resale. This provision is applied to venture firms, those companies within seven years of the cancellation of the designation as a venture firm, tax-exempt angel investments subject to the establishment of start-up investment companies, investment in start-up establishment investment, and venture investment associations.

Likewise, the taxation is postponed in a case when non-listed stocks are exchanged for strategic alliance. The deferment is effective until the shareholders of the selling company (the small or mid-sized venture enterprise whose ratio of R&D investment to sales is at least 5%) dispose of the exchanged shares.

The tax exemption on the angel investment of recovered funds is also expanded. For example, the tax deduction rate increases from 30% to 50% for investments of up to 50 million won (US\$47,243) and maintained at the current rate of 30% for the amount exceeding it. The deduction limit in the total annual income is raised from 40% to 50% as well. The revised rate is equal to that of Japan, and just 10 percentage points lower than those of the United States and Singapore.

The income exemption is applied to not only venture firms but also three year-old or younger companies that passed the technology evaluation. Also, exceptional clauses have been set concerning the special deduction limit on angel investment so that the income tax deduction can be more effective.

When a fund is raised by a successful venture company for investment in another younger venture firm, the investment priority is given with a fund of funds in the framework of the Junior Promotion Fund, whose target amount is 100 billion won (US\$94 million) for this year. One exam-

ple of it is the Kakao Young Start-up Fund, which was raised in April this year at an amount of 30 billion won (US\$28 million).

Moreover, additional incentives are prepared so that large amounts of money can be invested continuously by leading angel investors. R&D matching support is provided for them at the annual limit of 200 million won (US\$189,000), and their investments are planned to be included in the type of investment into venture capital and venture firms.

A new crowd funding system has been introduced in an attempt to provide an online funding platform on which even the general public with little capital can invest in the start-up companies of their choice. The 500 billion won (US\$472 million) Future Creation Fund has been raised, and 200 billion won (US\$189 million) of it is utilized for the benefit of companies in their early stages. The other is spent on those in their growth stages and for M&A purposes. Another new system brought in at this time is the special guarantee for founders-to-be, in which a 100% guarantee is granted for up to 500 million won (US\$472,434) through preliminary evaluations before the corporate foundation.

The new plan's purpose is to smooth the circulation of investment funds in the ecosystem and make the government's efforts more effective in fostering the venture ecosystem. "When uncertainties linger on with regard to corporate establishment and investment recovery, the creative asset formation and the convergence-based concept of the creative economy become harder and harder to reach," said a government official, adding, "With the new plan, we will create a virtuous cycle in the venture financing ecosystem by helping creative assets become new business models, thereby contributing to job creation and the realization of the creative economy." ■



2013 Venture-Startup Festival 2013 대한민국 벤처·창업 박람회

2013. 12. 4(수) - 12. 6(금) COEX 3층 Hall C

벤처창업!

창조경제의 꽃을 피우다



VENTURE STARTUP FESTIVAL 2013

Ventures and Startups! Blooming Creative Economy



Opening Ceremony Hall in COEX for the Venture Startup Festival 2013

The Venture Startup Festival 2013 will take place in Hall C of COEX in Seoul from December 5 to 7, hosted by the Small and Medium Business Administration and co-managed by the Korea Institute of Startup and Entrepreneurship Development and the Korea Venture Business Association.

The Venture Startup Festival originally started as Venture Korea in 1997. It has consistently been a place to promote and nurture the entrepreneurial spirit and a marketing vehicle for Korea's small and medium sized businesses through the creation of a value-added business chain.

This year's event has the theme of "Ventures and Startups! Blooming Creative Economy," and campaigns to bring a sense of shared cause for ventures and startups. The aim is to foster culture to realize the creative economy together

with the general public.

Highlights of this year's event include award ceremonies for ventures and startups, product exhibitions and business meetings, seminars, conferences, and subsidiary events.

Awards will be held at the opening ceremony. This year's awards consist of five national medals, 18 Presidential citations, 15 Prime Minister's citations and 126 other awards for 164 in total, up 12 from 152 last year. By category, 81 awards will be given to venture businesses, 62 to startups, and 21 to knowledge-based businesses.


The business events include the Exhibition for Quality Products, Business Meetings for Exports, and an Overseas Expansion Seminar. For Business Meetings for Exports, in particular, 70 buyers and members of INKE from 40 countries will be on hand to provide tips

on various subjects such as alliances for marketing and technology, exports, and investments. At the Overseas Expansion Seminar, INKE member companies and major export support organizations will provide information on overseas markets and give consulting about strategies for overseas expansion.

In addition, an investment consulting forum for one-person creative companies will be held to attract investments and establish business networks, targeting venture capitalists and angel investors. The Venture and Startup Business Meeting will provide consulting on funds, locations, business plans, and marketing by inviting professionals in each field to speak.

The subsidiary events include Superstar V, Startup Success Story, One Person Creative Startup Success Forum, Workshop Forum, Creative Economy IR, YES Leaders' Entrepreneurship Program, and Cultural Festivals.

Super V is a program that awards Korea's top entrepreneurs selected via contests for a Champion of Champions or The Best of The Best, targeting the group of winners in other talent or business contests. The One Person Startup Success Forum will provide keynote speeches, presentations, and panel discussions to share startup success stories, information on market trends, and strategies for success by inviting well-known mentors from home and abroad. The YES Leaders' Entrepreneurship Program will share fruit from special lectures to nurture talent for the creative economy, and enhance the public challenge spirit and mind for the startup experience. The Culture Festival will offer a place for trainees or graduates of the well-being training center to show off their talents in specialized areas such as being a coffee barista, wine sommelier, and nail artist.

Exhibits will consist of 3 pavilions for college students and youth, one-person creative startups, and successful ventures each. Participants in the exhibits will be given an independent booth and basic equipment free of charge. 


Awards Ceremony

The Korean government has been nurturing ventures and startups through the Venture Startup Festival, aiming to spark the entrepreneurial spirit and boost the morale of small and medium sized businesses.

The Korean government will give out awards in three categories – awards for contribution to vitalizing the venture spirit, those for startup spirit, and ones for knowledge-based services.

The venture spirit vitalizing awards are given in three categories: venture entrepreneurs, venture entrepreneurs with over 100 billion won (US\$94 million) in revenue, and employees of venture support organizations.

The startup spirit vitalizing awards are offered to two categories: startup entrepreneurs and startup support organizations or individuals.

The knowledge-based service vitalizing awards are given to two categories: one-person creative entrepreneurs and support organizations or their employees. 



Profiles of Venture Startup Festival Prize Winners



Lee Jae-won

CEO, Suprema Co., Ltd.
www.suprema.co.kr

CATEGORY Venture Entrepreneur

AWARD Silver Tower Order of Industrial Service Merit

- World's finest biometric recognition technology
- Export and overseas business activities
- Global sales network with over 1,000 partners in more than 110 countries around the world
- Supply of live fingerprint scanners and other products to the United States Census Bureau and for electronic ID projects in Nigeria, India, and Iran, and e-voting projects of the Philippines, Ghana, and Brazil
- Overseas sales accounting for 73% of the company's total as of 2012
- Promotion of the awareness and growth of the Korean biometric recognition industry abroad
- First place at the Fingerprint Verification Competition (FVC) in 2004, 2006, and 2010
- Consistent R&D efforts for the penetration of public-sector markets worldwide
- Fingerprint verification algorithm : World best for two consecutive years at the FVC
- National Institute of Standards and Technology of the United States : Top in the algorithm compatibility performance evaluation category
- Live fingerprint verification scanner : obtained the highest-grade international certification from the FBI for the first time in Asia
- Electronic passport reader : obtained ARINC certification for the first time in the world
- Sales and employment as of 2012 : 51.9 billion won (US\$49.0 million) and 80 employees



Chung Young Bae
CEO, ISC Co., Ltd.
www.isc21.kr

CATEGORY Venture Entrepreneur
AWARD Bronze Tower Order of Industrial Service Merit

- Contribution to the domestic development of test sockets for semiconductor post-processing
- Developed the world's second silicone rubber type test socket and started the first instance of mass production in 2003
- Number one globally in sales in the silicone rubber-based semiconductor test socket market and number three in sales in the overall semiconductor test socket market
- Growth momentum based on consistent R&D investment
- Annual growth rate of over 30% for the last three years by investing more than 5% of the total sales in R&D since 2010
- Number of employees increased by more than 20% each year
- Dedicated efforts for the recruiting and training of human resources
- Academic-industry cooperation agreements with seven academic institutions since 2008 for joint technological development and job placement
- Continuous mutual cooperation with the labor management council since 2006
- Selected as one of the World Class 300 Enterprises (May 2013)
- Sales and employment as of 2012 : 51.6 billion won (US\$48.8 million) and 238 employees



Park Yoon-min
CEO, Displaytech Co., Ltd.
www.displaytech.co.kr

CATEGORY Venture Entrepreneur
AWARD Iron Tower Order of Industrial Service Merit

- Number one in the local mobile phone LCD module market
- Concentration on the production of LCD modules without panel lines to retain the top spot among mid-sized companies in the LCD module market
- Annual sales estimated at 400 billion won (US\$377 million) for 15 years since its inception as a venture firm
- Commitment to product development, productivity enhancement, and cost reduction that resulted in a 40-fold increase in sales to approximately 400 billion won (US\$377 million) between the establishment and 2013
- Penetration of the next-generation display market through consistent R&D efforts
- Expected to manufacture 50 million units of smart phone display panels and 18 million units of tablet PC display panels a year
- Expected to manufacture 80 million units of AM OLED panels
- Owns window touch sensor and touch-related technologies
- Owns 3D display-related patents and technologies
- Sales and employment as of 2012 : 293.6 billion won (US\$277.5 million) and 227 employees



Chang kyeong ho
CEO, Innocor Co., Ltd.
www.innocor.com

CATEGORY Venture Entrepreneur
AWARD Presidential Citation

- The first company in Korea that succeeded in the domestic development of semiconductor packaging materials
- Plays a key role in developing and manufacturing semiconductor package materials such as LOC tape, LLE, and WBL
- Only company in Korea that runs a full lineup to mass-produce semiconductor packaging materials
- Contribution to Korea becoming a semiconductor and IT materials manufacturing industry powerhouse
- Succeeded in the domestic development of FPCB materials for the first time in Korea
- Global number one in the FPCB industry as of 2013
- Contribution to the penetration of overseas export markets
- Exports various products to IT powerhouses around the world such as the United States, Japan, Hong Kong, Singapore, Taiwan, and China, which were dominated by Japan in the past
- Exports amounted to US\$50 million as of FY 2012 with the exports-to-sales ratio reaching 41%
- Sales and employment as of 2012 : 142.3 billion won (US\$134.5 million) and 322 employees



Kim Jung Soo
CEO, Darin Co., Ltd.
www.darin.co.kr

CATEGORY Venture Entrepreneur
AWARD Prime Minister's Citation

- Korea's first domestic manufacturer of household atomizer
- IP-certified star company and biggest holder of Kyungnam Province's Industrial Assets Rights according to Guinness Book of World Records
- Owner of 13 registered patents, 7 pending patents, 3 trademarks, 3 foreign patents, and other intellectual property including 26 utility model marks and 26 registered design marks
- Recognized as a leading technology export company, with a 33% increase in sales in 2012 and annual growth of 17%
- Recognized as a socially sensitive company in 2013 with 9% of employees disabled persons.



Lee Kwang-sik
CEO, Renosem Co., Ltd.
www.renosem.com

CATEGORY Startup
AWARD Presidential Citation

- First domestic company to manufacture plasma sterilization products
- Korea's top market share company in plasma sterilization products
- Korea's top import-substitution business in plasma sterilization
- Export-driven business since the company's foundation, with sales to 40 countries worldwide and growing
- Path-breaking technology developer and leader in plasma industry, a market primarily dominated by imports.



Kim Young-kyu
CEO, Jinyoung H&S Inc.

CATEGORY Startup
AWARD Presidential Citation

- Leading IT company since 2009, specializing in development of highly sophisticated cell phone parts
- Exporter of cell phone parts and accessories, responsible for spurring overseas sales in cell phones and parts
- Changwon College's technology partner and certified employer



Jung Sung Eun
CEO, Weaversmind
www.weaversmind.com

CATEGORY Youth Entrepreneur
AWARD Presidential Citation

- Developer of educational content, specializing in content geared for untapped education market.
- Developer of and owner of patent BrainCarving, a storytelling education tool, registered in Korea and pending in the US
- Recognized incubator and mentor of venturing businesses
- Active member of Korea Business Angels Association



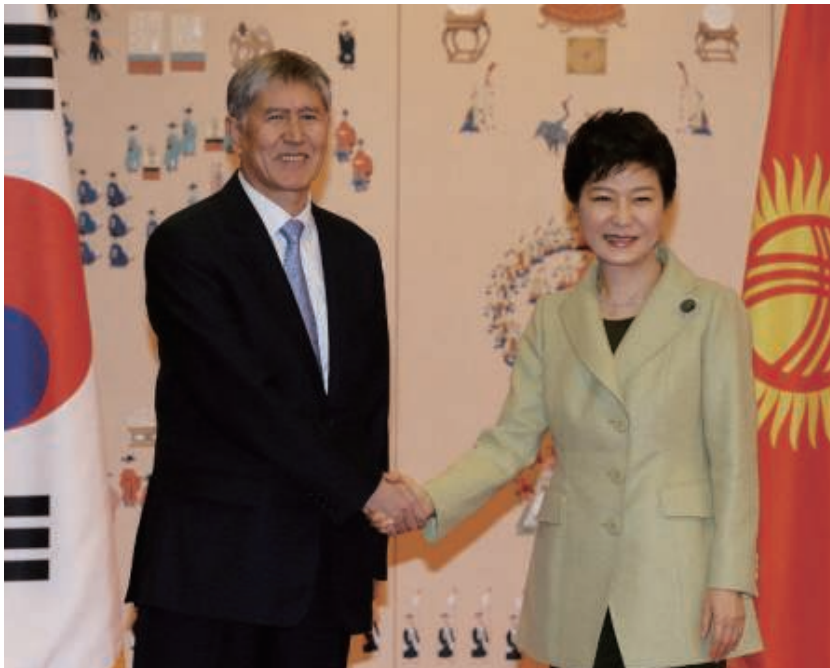
An Jae hee
CEO, Jey-corp
www.jeycorp.com

CATEGORY Knowledge-Based Entrepreneur
AWARD Presidential Citation

- Company with registered download count of 3 million on Android and IOS App market
- Company that registered most downloaded content, twice, in App Store's free content category
- Small and Medium Business Administration's recognized company in 2013, in the category of Creative Company, and Korea App Society Daegu City Charter Member

SHAPING-UP EURASIAN VISION

Korea, Kyrgyz Sign Agreement on Development Aid



Korean President Park Geun-hye (right) and her Kyrgyz counterpart Almazbek Atambayev shake hands ahead of summit talks at the presidential office in Seoul on November 19.

President Park Geun-hye had a summit meeting with her Kyrgyz counterpart Almazbek Atambayev, signing a “basic agreement on grant-type aid” to the Central Asian nation and a “memorandum of understanding for cooperation in energy and industry sectors” on November 19.

The signings took place at the Korean presidential office Cheong Wa Dae during Atambayev’s three-day official visit to the nation. The Kyrgyz president arrived on November 18. The Kyrgyz president is the first leader of a Central Asian nation to visit to South Korea under Park’s administration started in February this year.

Under the basic agreement on grant-

type aid, Korea will provide various types of assistance to Kyrgyzstan to help reduce poverty and contribute to social and economic development in the Central Asian nation.

The agreement states that the Korean government will invite Kyrgyz citizens for free training sessions in the country, to send professionals and volunteer workers to Kyrgyzstan, and to provide free equipment and supplies for development programs of the Central Asian nation.


In return, Kyrgyzstan will give various privileges to the dispatched Korean workers and their families, and use the equipment and supplies only for their intended purposes.

The two leaders also signed a memorandum of understanding between the two countries on expanding bilateral cooperation in the energy, natural resources and industrial sectors.

First of all, the mutual cooperation between the two countries is expected to contribute greatly to shaping up Park’s Eurasian Initiative, which calls for binding Eurasian nations closely together by linking roads and railways to realize what she called the Silk Road Express, running from South Korea to Europe via North Korea, Russia, and China.

Park expressed that the Korean government is highly regarding the mutually beneficial cooperation with Central Asia in the process of moving ahead the policy of strengthened cooperation among Eurasian countries. Atambayev agreed on the importance of strengthening the relationship among Eurasian countries while stressing the necessity of strengthening the existing mutual cooperation between the two countries in the Central Asian region.

South Korea and Kyrgyzstan established diplomatic relations in 1992. Between 1987 and 2012, Korea gave a total of US\$22 million in aid to Kyrgyzstan, including US\$8.6 million in grant-type aid. The rest was given as credit assistance.

Last year, trades between the two countries surpassed US\$160 million, with Korea exporting about US\$160 million worth of heavy electric equipment, computer parts and heaters, etc., while importing US\$210,000 worth of plastic goods and nonmetallic minerals. 

FINAL WINNER

Will Korea's Partial Purchase of F-35s Leave Chance for Other Bidders?



Korea's Joint Chiefs of Staff decided to purchase 40 Lockheed Martin F-35A stealth fighters for the F-XIII project in advance. Air Force Brigadier General Shin Ik-kyun says the stealth jet will play a critical role in destroying major enemy targets as part of the so-called Kill Chain defense system at a selection briefing on November 22.

The Korean army decided to purchase 40 Lockheed Martin F-35A stealth fighters as Korea's next-generation fighter aircraft. The purchase came just two months after the Boeing F-15 SE Silent Eagle was reviewed as the preferred bidder for the FX-III project, but failed to pass muster. The reason for the rejection is because the Korean Air Force has asked the government to buy combat aircraft with stealth capabilities.

Considering the budget and security situation, the Korean Army will purchase 40 fighter jets this time, and later buy 20 additional units, possibly other fighter jets if the Required Operational Capability (ROC) can be altered.

Choi Yun-hee, Chairman of the Joint Chiefs of Staff (JCS), held a meeting of top commanders on November 22 to approve the plan to buy 40 F-35 Block 3s, which are capable of conducting air-to-air and air-to-ground missions with an internal carriage and external stations for missiles and bombs.

Seoul had initially assigned 8.3 trillion won (US\$7.2 billion) for 60 fighter

jets, of which Boeing's F-15 Silent Eagle was the only bid within the budget. The budget excluded the F-35, although the Lockheed fighter jet had initially been considered a favorite.

In a briefing on November 22, Air Force Brigadier General Shin Ik-kyun said, "The JCS decided to buy 40 jets first to minimize the security vacuum, and purchase the remaining 20 after reassessing the ROC in accordance with the changing security situations and state of aerospace technology."

The comment would mean the other two bidders, Boeing and the European Aeronautic Defense and Space Company (EDAS), will have another opportunity to secure a contract. In particular, Boeing earlier proposed a mixed purchase of F-15s and F-35s to minimize the security vacuum, while EADS promised the transfer of technology as a bonus for it obtaining Korea's aircraft procurement project.


The decision to choose the F-35 was made as part of the need to acquire fifth-generation jets, considering the security

environment of the Korean Peninsula encircled by China and Japan, which are at odds with each other over territorial disputes and are seeking to expand their military power. Russia is also preparing to equip its Air Force with stealth jets.

In the meantime, industry experts say the one-way bid gives Seoul less room to negotiate other conditions such as technology transfer or industrial cooperation in connection with the program, due to a tight US arms export policy.

In past bids, Lockheed, Boeing, and EADS had proposed aggressive programs ranging from technology transfers to promises of purchasing Korean-made parts.

"Even if changes have been made to the program and number of jets, we will push for the project by acquiring promises on technology transfers in the fighter development project," a senior ministry official said without elaborating on the specifics of the negotiations.

Korea aims to complete the development of a fighter jet around 2020 with the goal of deploying it by 2023. 

US-JAPAN ALLIANCE

Pentagon Supports Japan's Right of Collective Self-defense



The Pentagon wants South Korea to join in the US-led missile defense system. (Photo by David B. Gleason via Wikimedia Commons)


A high-ranking official at the Pentagon met with the Korean press corps in the United States on November 18 (local time) and said that the US is in full support of Japan's right of collective self-defense, considering it as Japan's effort to contribute to regional security. The term can be defined as a

right to launch a counterattack when any of its allies is subject to military attacks.

"The US government welcomes Japan's endeavor to contribute to regional security and peace in Northeast Asia by normalizing its role," he said, adding, "We are considering that Japan can enhance its deterrent through a change in the interpretation of the constitution and, no matter what decision it makes down the road, it should be respected as a decision of a sovereign state."

With regard to South Korea's pessimistic view on the matter, he explained that he is well aware of the concerns, but Japan's right of collective self-defense is a stronger deterrent against the challenges faced by the United States, South Korea, and Japan.

"We have discussed this matter on repeated occasions and we know that it is highly important, but I would be well advised not to mention specific details like we do not tell about the sensitive things related to the ROK-US Alliance," he continued. The official also pointed out, "Northeast Asia is facing various forms of security challenges, and one of the most urgent is the threat from North Korea's nuclear programs and long-range ballistic missiles."

He went on to mention the missile defense (MD) system of the US as a way of effectively tackling the threat while asking the Korean government to take part in it. "I would like to stress that the US government is not only enhancing its capabilities to protect the homeland but also striving to protect and defend its allies," he added. 

KOREAN MISSILE DEFENSE

Korean Gov't to Establish Missile Defense System

The Korean government has set out to establish the KAMD system, which stands for Korean Air and Missile Defense.


According to international news sources, the Korean government expressed its desire to purchase a large quantity of Patriot missiles from the US government on October 26. The US Defense Security Cooperation Agency (DSCA), which is in charge of the US

Department of Defense's overseas sale of military equipment, has confirmed the news.

The DSCA has recently submitted a report to Congress in which it said that the Korean government made an inquiry about the purchase of 112 units of anti-tactical missiles (ATMs), related equipment, components, training, and support programs. According to the report, the total sales are estimated at US\$440 mil-

lion.

It is expected that once the contract is signed, the ATMs will be upgraded into Guidance Enhanced Missiles-tactical (GEM-T) through a direct commercial sale between the Korean government and Raytheon, the missile manufacturer. The GEM-T is an improvement on the PAC-2 missile, the main part of Korea's current missile defense network, and is characterized by its advanced software and radar systems to shoot down ballistic missiles, cruise missiles, and aircraft.

The expression of the intention is considered to have a great significance in that it can be interpreted as a declaration that Korea will set up its own missile defense system instead of being incorporated into the United States' MD umbrella. 

TRANS-PACIFIC PARTNERSHIP

Korea Sharply Divided Over Its Involvement in TPP



There was a sharp division of opinions over the Trans-Pacific Partnership (TPP) at the first hearing, organized by the Ministry of Trade, Industry and Energy and held at the COEX Convention Center in Seoul on November 15.

With the government seeking to participate in the TPP, academic circles are split over the impact on Korea's economy.


Kim Young-gui, head of the regional trade team at the Korea Institute for International Economic Policy (KIEP), said, "Our participation in free trade will bring about a 2.5~2.6% GDP growth for 10 years, after the agreement goes into effect. Otherwise, Korean GDP is expected to shrink by 0.11~0.19% during the same period." The KIEP researcher estimated that Korea's involvement would result in an increase in exports of automobiles, refined petroleum products, and finally textiles.

Other people voiced opposition to the trade pact on the grounds of few economic benefits. Jung In-kyo, a professor of economics at Inha University, commented, "I don't think that our participation in the TPP will generate big gains. Rather, it will become a big burden on society." The professor added, "The economic benefits of the free trade agreement will be confined to only five non-FTA countries, including Japan. However, free trade with Japan is likely to have a negative impact on our economic growth. Furthermore, it is predicted that gains from free trade with the other four countries will be insignificant. So, the overall GDP growth of our country is estimated to be merely 0.1~0.2%."

Proponents and opponents were also at loggerheads over the issue at a forum attended by industry representatives. The textile industry was in favor of Korea's participation while the agricultural indus-

try was strongly against the idea.

Some said that in order to participate in the TPP negotiations, the government should strengthen bases for small and medium-sized business and strongly urge Japan to open up its market. Ahn Chung-young, professor at Chungang University, pointed out, "To be a TPP member country, Seoul ought to demand that the US and Japan open their domestic markets to foreign investors, including agricultural markets and service markets."

The nominal GDP of 12 countries participating in the TPP negotiations for 2011 totaled US\$26.6 trillion, representing 38.0% of the total GDP. With Japan's membership this year, the TPP has been augmenting its power in full swing. Originally, the TPP negotiations were scheduled to be finalized by the end of this year, but members are likely to reach an agreement on a free trade deal after 2014, due to many unresolved issues. 

KOREA-UK SUMMIT

Korea, UK Agree to Double Trade, Investment by 2020



UK Prime Minister David Cameron greets President Park Geun-hye at 10 Downing Street in London on November 6.

Korean President Park Geun-hye and British Prime Minister David Cameron agreed to double mutual trade and investment to US\$20 billion and US\$45 billion each within the next seven years. Trade and investment volumes between Seoul and London amounted to US\$11.26 billion and US\$22.8 billion last year.

The two leaders also agreed to strengthen cooperation in the areas of finance, nuclear energy, renewable energy, and IT, and to work closely together to develop future growth engines.

At the summit meeting in Downing Street in London on November 6, the two leaders agreed to form a Joint Economic and Trade Committee (JETCO) and a bilateral CEO forum to implement such goals above. Under the agreement, the countries will hold a JETCO meeting every 18 months, along with a joint forum for top business leaders from both countries.

During President Park's state visit to the UK, the two governments and busi-

nesses in both countries signed a whopping 18 memoranda of understandings detailing exchanges in those fields.

In the finance sector a total of 11 MOUs were signed, including the one calling for cooperation between financial regulators for sharing information and experiences, which is expected to help Korea learn from Britain's advanced financial oversight system.

In particular, Korea's Export-Import Bank and Britain's UK Export Finance agreed to jointly provide up to US\$1 billion of project financing for the next three years. Two more similar deals were signed, worth US\$2 billion combined. Consequently, the money involved in the project financing deals amounts to US\$3 billion.

The two sides also signed seven MOUs in the nuclear and renewable energy sectors. In particular, the deal on comprehensive nuclear power cooperation between the two countries is seen as a first step toward exporting atomic power plants to Great Britain. In addition, the

two sides signed an MOU on cooperation in nuclear power plant dismantlement, which would help Seoul learn from British technology. The UK plans to dismantle 15 of its 16 aging power-generating nuclear reactors by 2023, and plans to build 10 new ones by 2025.

Another discussion of the summit was about cooperation to develop new engines for future growth. President Park stressed, "We could further expand our economic horizons if we combine our strengths and enter third country markets together," saying Korea is strong in manufacturing, auto, steel, shipbuilding, and semiconductors, while Britain is on the cutting edge in the basic sciences, finance, cultural content, design, and the services sector.

To pursue new engines for future growth during her presidency, President Park has highlighted the Creative Economy, which calls for converging information and communications technology with culture and other realms to create novel industries and more jobs. **EN**

KOREA-CHINA FTA

Latest Round of Talks Includes Liberalization of Some Farm Products, Creating Controversies



Korea and China started the so-called second phase of negotiations on November 18, and agreed to include some farm products in the liberalization list. 25 November 2013

The Korean government revealed its intention to open the agricultural sector during the first round of the so-called “second phase negotiations” for a free trade agreement (FTA) between South Korea and China, showing its will to accelerate the FTA negotiation.

The eighth session of FTA talks between South Korea and China ended on November 22 after the two countries exchanged their initial offers for the level of liberalization of goods. The first round of the second phase of Korea-China FTA negotiations was held in Incheon, Korea since November 18.

The Ministry of Trade, Industry and

Energy said in a press release on the same day, “In the latest round of negotiations, the two sides began discussions for a rough draft of the trade agreement and on the level of liberalization for products, based on the agreed modality.”


Later, Woo Tae-hee, Korea’s chief negotiator and assistant trade minister, held a briefing on the Results of the 8th Talks for the Korea-China FTA, saying, “Both Korea’s and China’s offers on the list of products to be liberalized under the envisioned FTA included some farm products that are considered not or less sensitive.”

The agricultural sector is considered to be the most sensitive area in South Korea, as many Korean people fear the FTA with China may lead to an overflow of cheap Chinese farm products into the local market.

The trade assistant minister went on to say, “There are two main points, the exchange of offers on the level of liberalization and the exchange of draft texts for the agreement,” adding, “China came up with its offers with more sincerity than we had anticipated, while the offers for the envisioned FTA were somewhat disappointing.”

The ministry said, however, that the 8th talks were meaningful in that the two countries concluded what they call the first phase of negotiations in early September after reaching an agreement on the basic guidelines for the FTA, including the level of market liberalization. Related with that, an official of the ministry said that the exchange of the countries’ initial positions on the level of liberalization itself marked a “good start.”

The ministry also added separate working group talks for all other areas including service and investment, intellectual property rights, competition and environment, and other areas that are subject to liberalization under the FTA.

The second phase of negotiations starting with the latest round will seek to map out a more detailed agreement by sector, such as products, services, investment, and employment. The next round of negotiations will be held in China on a date to be decided later. 

PYONGYANG-BEIJING ECONOMIC TIES

Korea Cites “Remarkable Success” in Developing Free Trade Zone with China



Although China has become increasingly frustrated with the North's nuclear tests and missile launches, it appears that Beijing has been deepening its economic ties with Pyongyang.

North Korea's drive to jointly build a free trade zone with China has made a “remarkable success,” a Pyongyang official said on November 13.

“The joint development and management of the Rason economic trade zone with China has been carried out at the highest speed and with a remarkable success,” said Hwang Ik-hwan, a senior

researcher at the Institute for Disarmament and Peace under the North's foreign ministry. Hwang mentioned this at an international conference in Tianjin, organized by the China Foundation for International Studies (CFIS) and the China International Institute for Strategic Society.

China has built “several industrial zones, modern-farming facilities and plants” at the free trade zone in North Korea's northeastern cities of Rajin and Sonbong, which is known as the Rason Special Economic Zone. To this end,

China has reportedly agreed on investing about US\$3 billion in developing the free trade zone to its export base. The ports at the free trade zone allow China's northeastern provinces to directly access the East Sea off the Korean Peninsula's east coast.

At the conference, Hwang cited an annual trade exhibition of the North Korea-China Economic, Trade, Culture and Tourism Expo, which was held last month in the Chinese border city of Dandong, as a “typical example of growing economic cooperation” between the two

countries.

“More than 10,000 people from 20 countries, including the DPRK [North Korea] and China, participated in the exhibition,” said Hwang, adding, “Over 90 trade deals worth US\$1.6 billion were signed during the exhibition.”

“The DPRK government is taking active measures to speed up economic development by promoting economic cooperation with other countries and attracting investment,” Hwang said.


North Korea’s young leader Kim Jong-un has shown no signs of abandoning the country’s nucle-

ar weapons program, and declared that Pyongyang will simultaneously pursue nuclear and economic development.

“The dear respected marshal Kim Jong-un instructed officials to establish economic development zones in all provinces of the country and develop the zones in accordance with their unique situations and specific characters,” Hwang said.

He went on to say, “In this regard, the National Economic Development Committee was newly organized in May this year to strengthen the economic coop-

eration and exchanges with other countries and encourage their investment in the economic zones.”

“North Korea could not achieve economic development without giving up its ambition of nuclear weapons,” claimed Cao Shigong, a specialist of Korean affairs at the Chinese Association of Asia-Pacific Studies, who was attending the conference, saying, “North Korea’s declaration of simultaneously pursuing nuclear and economic development will not be successful.” He added, “North Korea must give up its nuclear ambitions in order to enhance economic development.” 

YUAN POPULARITY IN NORTH KOREA

North Korean Use of Chinese Yuan Prevailing over US Dollar in Int'l Transactions



On November 11, a South Korean diplomat in Beijing revealed that Chinese currency is getting more popular in North Korea than the US dollar, as transactions via the Chinese currency renminbi make it easier for the North to evade international sanctions against its nuclear and missile programs.

According to the diplomat, the use of foreign currencies is prevalent in the black market, although the North regime officially bans people from using foreign currencies, including the yuan and the US dollar.

The diplomat said it is not rarely seen for people in the North’s capital Pyongyang to use the renminbi to pay for taxi fares instead of the North Korean won.

“North Korean people and firms are increasingly using the yuan instead of the US dollar, because transactions via the Chinese currency can minimize

their exposure to international sanctions,” the diplomat added.

The yuan’s strength against the US dollar is another reason for the yuan’s popularity in the North. “In the first nine months of this year, the value of the US dollar was averaged at 7,500 won to 8,500 won, while the yuan value was averaged at 1,250 won to 1,350 won,” the diplomat said.

The growing popularity of the yuan also means economic ties between Pyongyang and Beijing are getting closer, the diplomat added.

According to data released by the China Customs Information Center, North Korea’s trade with China increased 4.4 percent from a year earlier to US\$4.69 billion during the nine-month period. North Korea’s exports to China jumped 9.4 percent to US\$2.09 billion, while its imports from China fell 2.3 percent to US\$2.6 billion.

CAPITALISM IN N. KOREA

Professor Andrei Lankov Mentions Capitalism Emerging in North Korea



The upper class in Pyongyang drive their own cars and pay huge sums of money to eat out in fancy restaurants downtown.

Kookmin University professor Andrei Lankov contributed an article to US-based NK News on November 14 (local time), saying that North Korea is witnessing the formation of the bourgeoisie and the newly rich.

He mentioned in the article, “Pyongyang appears to be maintaining the Stalinist concept of socialism these days, but its government officials are seeing the private economy emerging there to cause a wealth divide.” In short, it is showing some signs of significant wealth inequality amid the early stages of capitalism. “Most of the North Korean population are still stricken with poverty but there are some better-off people, including non-officials and middle-class entrepreneurs, who own hundreds of thousands of dollars,” he added.


Until as recently as the mid-1990s, most of the upper class in North Korea were party officers and government officials. They hid their assets effectively and thus others could not notice how wealthy a life they lived. However, according to the professor’s remarks, all of the people are well aware of the fact that they drive their own cars and pay huge sums of money to eat out in fancy restaurants in downtown Pyongyang.

He continued to explain that he has pretty good evidence of this point, although there are no statistics for now about who newly rich and what their income sources are. “It seems that many of the nouveau riche have gathered wealth through bribery and collusion while running state-owned companies, or made a sizable fortune during or right

after the severe famine in the 1990s,” he said, adding, “As of now, those with a monthly income of US\$300 to US\$400 or higher are considered rich, and very rich if the amount exceeds thousands of dollars.”

In North Korea, air conditioners, refrigerators, washing machines, and the like are regarded as luxury items. These are rarely in use in reality but just exhibited in most cases, due to the high frequency of power outages. Many upper-class people have LCD TVs, electric cookers, and furniture imported from China, too. Self-owned cars are owned by top 0.1% of the population, and most of these are in the name of national organizations to prevent any problem from arising. Traveling not just at home but abroad is very limited even for the wealthy class, though.

“Real estate transactions have begun to be made between rich people, though illegal, and a high-rise apartment house is currently purchasable at US\$10,000 to US\$25,000 in a small town and between US\$50,000 and US\$80,000 in Pyongyang,” he continued, declaring that Leninism is done in the North.

“Over time, the private market in North Korea will become a space where rumors concerning the external world are freely circulating, and the population will be less and less dependent on rationing for their livelihood if capitalism is in progress there,” he explained, adding, “This will be of no good to the Kim Jong-un regime, but the key officials and the wealthy class are in the same boat when it comes to the gradual change in the economic system.” 

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THE KOREA INDUSTRIAL COMPLEX CORPORATION

Aiming to Make Industrial Complex Warm, Bloom with Culture



The Korea Industrial Complex Corporation (KICOX) is a state-owned enterprise that manages 51 national and regional industrial complexes including Seoul Digital Industrial Complex, Sihwa Industrial Complex, Gumi Industrial Complex, and Changwon Industrial Complex.

The public corporation was established to contribute to the nation's economic growth by developing and managing the industrial complex, and supporting the manufacturing activity of tenant companies. Initially, the primary duty of the company was the efficient operation and management of industrial complexes that are major contributors to Korea's fast economic development. However, it has transformed itself to adapt to the nation's economic growth and paradigm shifts in the industry.

KICOX is proceeding with various projects aimed at enhancing the competitiveness of industrial complexes and tenant companies, creating jobs, and attracting local investment. For example, the state-run company helps those who

want to start a business, provides information about industrial sites and statistical analysis on industrial complexes, and gives investment support. In addition, the firm constructs apartment-type factories, supports the relocation of would-be tenant companies, helps secure bases for the creative economy, and improves the competitiveness of industrial clusters. Furthermore, the company builds eco-industrial parks, organizes corporate tours, and provides human resources.

In recent years, KICOX has been actively involved in social contribution activities with its new slogan, "To make industrial complexes warm and blooming with culture." In January 2012, the company created three teams in order to assume corporate social responsibility. Each team is in charge of corporate tours, social contributions, or addressing problems that employees experience at work. The creation of new teams shows the company's willingness to help industrial complexes grow steadily, create value, and increase the brand awareness of KICOX by contributing to society.

Mentoring Service for Candid Discussion

Social contribution activities in which the public enterprise is engaged are deeply related to the identity of the corporation that manages industrial complexes and supports tenant companies.

One of the activities is a job project for college students. The project is called "Dialogue: Communicating without Inhibitions," where college students tired of looking for employment can talk about jobs and their dreams in an open environment. The talk show-style event is held at college campuses nationwide.

KICOX's executive director, professors, CEOs of tenant companies, and job consultants offer mentoring services to students to encourage their work ethic and the spirit to tackle new challenges, and to provide information about what kind of people companies are looking for. Those mentors listen to students and learn about their views on employment at small and mid-sized enterprises (SMEs) in industrial complexes. Their

input is helpful to make industrial complexes better places for young job seekers. Since 2012, 1,200 students from nine universities have participated, and a book containing stories told at five events was published last year.

Corporate Tours to Improve Awareness of Industrial Complexes, SMEs

Corporate tours are another social contribution activity. The tour program is intended to address mismatches between the needs of employers and the skills of the workforce, and promote awareness of industrial complexes and SMEs to create jobs. KICOX provides opportunities where local and foreign students, professors, parents, buyers, and embassy staff can properly understand industrial complexes and tenant companies through their visits to top SMEs located in industrial complexes.



The tour program involves 32 courses in 4 areas, which consist of new growth engines, experience-type consumer goods, eco-friendly/green growth, and the corporate brain (research center). In each tour, the role of industrial complexes and tenant companies that have led to Korea's economic development is explained, and thus participants get to know about industrial complexes' potential as future growth engines. Last year, a total of 5,224 people toured 178 companies 202 times.

KICOX's Love Society, Another Name for Social Contributions

The public corporation runs its Love Society. Funds raised by KICOX employees' donations or their voluntary



contributions of a fraction of their paycheck are used to help neglected neighbors who visit local centers for children, community welfare centers, and multicultural family support centers.


This year, KICOX has been focusing on activities involving tenant companies and local societies. From July to August the public firm conducted a T shirt distribution campaign in partnership with the Korea Disaster Relief Association. 200 children of employees working in industrial complexes drew pictures on T-shirts, which were delivered to young climate refugees along with therapeutic food to treat malnutrition. In September, employees of the public company donated blood together with tenant companies nationwide. All of these activities show the public firms' effort to build trust in society.

Cultural Elements in Social Contributions

KICOX is expanding the scope of its activities for cultural contributions by introducing cultural elements. To make industrial complexes more welcoming places in which people want to work and experience culture, the company is supporting cultural projects where workers can attend cultural events. Nine industrial complexes in Seoul, Gumi, Changwon, and other regions run their cultural centers with 18 programs for singing traditional Korean music and other types of music. Following the end of those programs, those who attended classes at

centers nationwide can participate in a contest called the Happy Festival for Artists at Industrial Complexes. This year, the event will be held at Siheung Business Center located in Sihwa Industrial Complex on November 21. In addition KICOX sponsors cultural performances at 15 industrial complexes, and thus spreads cultural spirit.

On top of that, the state-run enterprise will create cultural streets in industrial complexes. It held a design contest for Guro Industrial Complex and Namdong Industrial Complex with the title "Beautiful Streets of Industrial Complex." The streets of those industrial complexes will be beautifully decorated.

The Korea Industrial Complex Corp. will develop various social contribution programs in which employees of KICOX, tenant companies, workers at industrial complexes, and citizens can take part. Those programs will be occasions where people voluntarily participate and enjoy themselves. Through continued social contribution activities, the company will strive for authenticity. While coexisting with the community, it will fulfill its social responsibility as a corporate citizen. 



2014 STOCK MARKET FORECAST

Agtmael Forecasts Korean Shipbuilding, Shipping to Decline in 10 Years



Statues of the two symbolic animals of finance in front of the Frankfurt Stock Exchange.
(Photo courtesy of Eva K./Wikimedia Commons)

“Unlike the past, new investments are being made for advanced nations such as the US and Northern Europe. Shale gas, weakened competition in cheap labor, and changes in innovation will make significant differences in the Korean economy, too.”



Founder and former chairman of Emerging Market Management Antoine van Agtmael attended the “2014 Stock Market Forecast” forum hosted by Daishin Securities at the Seoul Yeoido Conrad Hotel on November 12. He gave a lecture titled “Game Changers in Global Investing - Is the competitive edge shifting again?”


Agtmael, who coined the term “emerging market,” and emphasized investments in them, is now suggesting advanced nations as promising investments.

He claimed, “Unlike the US and Southern and Northern European nations recovering from the long economic recession, China and other emerging markets continue to show slow growth.” Regarding this trend, he said, “It is because the competition moved to advanced nations with game changers such as shale gas, which is a new energy source, weakened competition for cheap labor, with the reduction

of cost differences and automation, and changes in innovation called ‘brainfacturing.’”

The fact that advanced nations are ahead in innovations, which is the core of future economic knowledge, is another cause of the shifting paradigm. Agtmael said, “Manufacturing businesses in the US and Europe are expected to come back on track after the economic recession, because they have found new ways of innovation,” and added, “Brainfacturing, which allows combinations of current manufacturing technologies with IT, sensors, and new materials, will become more important.”

He especially pointed out that these changes will have big impacts in the Korean economy. He said, “Globalization hit its peak ten years ago,” and added, “In another ten years, the global shipping trade will decrease, with more new materials being manufactured locally than being imported from foreign countries.” He expected a decline in the raw materials manufacturing, shipbuilding, and shipping businesses.

However, Agtmael mentioned that although the expectations for emerging markets will continue to die out, these markets are still promising for investment. He said, “Emerging markets, such as BRICs, Brazil-Russia-India-China, are in their maturing phases, currently facing internal problems such as energy, government, and infrastructure,” and added, “However, the number of consumers of emerging markets will be double the amount of advanced nations, having the strongest purchasing power in the near future.” 

CONCERNS ON STRONG WON

Domestic Export Business at War with Exchange Rates Again



“Internally, we’re seeing 1,040 as the break-even point. Most of the products are made in the country, so there are no big concerns.

However, if the exchange rate for won keeps dropping, it can make people anxious,” said an official at Samsung Electronics.

“80% of automobile industry has to do with exports. If the exchange rate drops 10 won, Hyundai Motors loses 120 billion won and Kia 80 billion. So, 24 hours monitoring is up and running,” said a Hyundai Motors insider.

A Hyundai E&C official said, “In the business plan from earlier this year, the expected exchange rate was 1,100 won. The shipbuilding industry applies up-to-date exchange rates for every order received, so there aren’t big problems. However, if the exchange rate continues to decrease, it will be harder to make profit. Then measures such as cost reduction will be enforced.”

Domestic businesses are becoming more worried about the strong won. Compared to the past when exports were “of the essence,” risks have decreased thanks to hedges. However, for most export-oriented domestic businesses, the dropping exchange rate for the won is

still quite critical.

In fact, with the causes of the exchange rate reduction hidden potentially anywhere, it is questionable how automobile and IT businesses will overcome the exchange rate crisis.

EOn November 11, the Federation of Korean Industries (FKI) surveyed 106 of 340 production companies by their amount of sales, from October 29 through November 5. According to the survey, the average break-even point of the exchange rate was 1,066.4 won.

If the exchange rate drops below 1,066 won, businesses will suffer losses despite their sales. FKI believes several industries are already experiencing this problem.

The break-even point for each industry is as follows. For pulp, paper, and furniture, it is 1,105.0 won; foods, 1,091.7 won; machinery and electronic equipment, 1,087.5 won; and petrochemistry 1,081.3 won. These points are still high enough to fight against the dropping exchange rate.

On the other hand, some are already at risk. For industries with fewer imports, such as steel, it is 1,048.3 won, and non-metallic minerals 1,037.5 won, which are relatively low. For industries with high exports, such as fiber, it is 1,062.5 won, for automobile parts 1,055.4 won, and electronic communication devices 1,051.9 won. These have already dropped below the break-even point. Profitable industries to domestic exports, such as electronics and automobiles, have been exposed to risk already.


Also, FKI announced that if the value of the won increased 10%, the amount of domestic production exports

will decrease 4.4%.

Industries with large gaps in this reduction are in the order of pulp, paper, and furniture, and electronic communication devices at 7.5%; foods at 5.3%; pharmaceuticals at 5.0%; machinery and electric equipment at 4.2%; steel at 3.8%; petrochemistry at 3.5%; and automobile parts at 3.4%.

Concerns are rising for profitable industries for domestic exports, such as electronic communication devices and automobile industries, already at risk of suffering direct impacts of this exchange rate crisis. However, businesses are coming up with internal measures such as cost reduction, increases in hedge product investments, and adjustments to the export rates, to prevent operational performance from worsening due to the dropped exchange rate.

Samsung Electronics and Hyundai Motors have high foreign production percentages, and mostly deal in local currencies, so they are rather free from the limitations of the exchange rate. They are, however, keeping their eyes on the exchange rate changes. An electronics industry associate said, “Because there are many products being produced locally in foreign countries, we are not worried about the exchange rates,” and added, “However, internally, we are looking at 1,040-1,050 won as the break-even point.” Machinery businesses have conservative exchange rates also, not quite suffering an exchange rate crisis yet, but they are also paying close attention to further drops.

On the other hand, the exchange rate today has increased 0.71% since the previous day, closing at 1,072.85 won. 

BUSINESS TRANSPARENCY

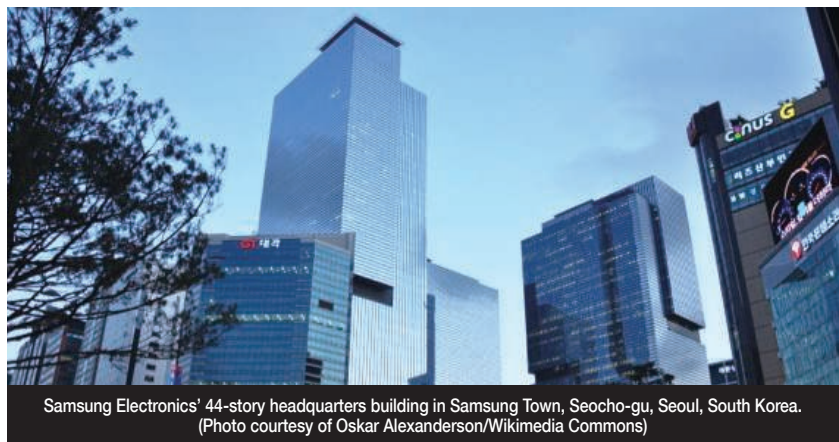
Korean Conglomerates not Incorporating 30 Percent of their Affiliates into Holding Company System

According to the Fair Trade Commission (FTC), the number of holding companies in Korea is 127 as of the end of September, and that of the conglomerates converted to holding companies is 16, 25.8% of the total of 62 conglomerates.

Conversion into a holding company brings advantages such as a more transparent ownership structure. This is evidenced by the fact that the average debt ratio of the converted business groups is 32.4%, much lower than the total average of 108.6%. Also, they make investments through an average of 3.07 steps while the number increases to 5.29 for others.

Nevertheless, it has been found that about 30% of the subsidiaries of the converted business groups are run without being incorporated into the groups. The situation is tarnishing the purpose of the system, that is, a more transparent corporate governance structure.

For example, electrical communication company GS Neotek, a subsidiary of the GS Group, is a non-listed firm fully owned by Heo Jeong-soo, who is the younger brother of GS Group chairman Heo Chang-soo. GS Neotek's transactions with the other affiliates amounted to 392.2 billion won (US\$368 million), or 65% of the annual sales, for last year. Thanks to internal transactions, the sole owner received subsidies of no less than 49 billion won (US\$46 million) from the firm for the last five years. GS Neotek has recently been designated as a company subject to the regulations against internal trading. GS Neotek has not been



Samsung Electronics' 44-story headquarters building in Samsung Town, Seocho-gu, Seoul, South Korea. (Photo courtesy of Oskar Alexanderson/Wikimedia Commons)

incorporated into GS Holding yet.

The FTC's data shows that 196 out of the 652 subsidiaries of the 16 converted conglomerates have yet to be incorporated into the holding companies. The average number per group is 12.3. The number is the largest for the GS Group (45 out of 76), followed by the Daesung Group (31), CJ (28), LS (22), and SK (20). The percentage of incorporations rose to 73.3% in 2010 and has declined to 70.8% and 69.4% in 2011 and 2012, respectively.

The main reason for non-incorporation is to avoid the various regulations imposed on the holding companies. One of the examples is the minimum shareholding ratio of 20% for listed companies and 40% for non-listed firms.

"In the holding company system, no owner can be in possession of 100% of the subsidiary shares, and not a few business group heads are trying to circumvent the restriction," said the FTC. In addition, there are many cases in which

the owner's family members or relatives run non-incorporated affiliates. They are unwilling to be put themselves into the holding company structure because they have to give up on their shares otherwise.

Inter-company Transactions Prevail in Non-incorporated Affiliates Run by Owners' Families

The problem is that the subsidiaries out of the system are used as a sort of wealth transfer channel between direct and extended family members. They earn sales by means of inter-company transactions, and then the owners' family members take a large sum of dividends.

In the SK Group, the internal transaction ratio of SK C&C and ANTS, 48% and 100% of whose shares are owned by the family, amounts to 60%, and the two firms' inter-company transactions exceed one trillion won (US\$940 million). The CJ Group's C&I Leisure Industry is fully owned by the owner's family and the

ratio is 98%, meaning the firm is completely isolated.

“The higher the shareholding ratio of the family members, the larger the volume of internal transactions for those subsidiaries out of the holding company structure,” FTC Competition Policy Bureau director Shin Yeong-seon explained. Specifically, the non-incorporated affiliates in which the family members’ shareholding ratio is less than 20% have an average inter-company transaction ratio of just 9.5%, whereas the percentage goes up to 40.5% when

the shareholding ratio is between 50% and 99%, and to 51.3% when the shareholding ratio is 100%. The director continued, “We will more closely monitor the profit-seeking activities of the system from February next year, when the revised Fair Trade Act is put into effect.”

The FTC is planning to continue its efforts for a legal amendment so that financial subsidiaries can be owned by intermediate financial holding companies, too. The idea is based on the assumption that the current regulation forbidding the incorporation of financial

subsidiaries into general holding companies according to the separation of banking and commerce is hindering a smooth transition.

“Since the holding company system was first introduced, the government has applied rather strict restrictions to prevent a concentration of economic power,” said Hansung University professor Kim Sang-jo. He pointed out, “However, the regulations need to be somewhat eased now, so that a larger number of subsidiaries can be incorporated into the system.” ■

AUDIT EXPANSION

Foreign Limited-liability Companies to Be Subject to Stronger Accounting Oversight



Headquarters building of HP Korea, one of the foreign limited-liability companies in Korea.

The Korean financial supervisory authority intends to regulate foreign limited liability companies in Korea starting next year.

Large unlisted local firms with assets of more than 1 trillion won (e.g. Samsung Everland, Samsung Display, GS Caltex, Lotte Hotel, and GM Korea) will also be subject to external audits in the same way as listed companies.

The Financial Services Commission (FSC) announced on October 28 that it plans to submit a revision to the Act on External Audit of Stock Companies to the National Assembly in the first quarter next year.

The revised bill is aimed at totally overhauling the law enacted in 1980. The main point of the bill is to include limited liability companies and non-profit organizations. The name of the law will be changed to Act on Accounting and External Audit of Profit-Making Corporations and Others.

So far, listed firms have been much more transparent in accounting. However, limited liability companies, unlisted corporations, and non-profit organizations have not met international accounting standards on transparency, since they have been exempt from the law.

That is the reason behind the FSC bill. The bill will strengthen oversight of accounting for limited liability companies that are not different from corporations under the

Commercial Act that was revised in 2011. External audits will be mandatory for 1,500 limited liability companies with assets exceeding 12 billion won. Currently, those firms are subject to accounting standards for unlisted companies.

Oversight of accounting will be stronger for unlisted corporations with over 1 trillion won in assets. Their accounts will be verified by external auditors just like listed ones. Under the revised bill, corporations with 12 billion won of assets will be obliged to be audited by outside accounting firms. The revision means that external audit standards will be lowered for mid-sized and small enterprises in financial distress caused by the economic recession.

FSC is also seeking to establish accounting standards and external audit standards for non-profit organizations such as universities, hospitals, and social organizations.

Seo Tae-jong, director general of the Capital Markets Bureau at FSC, said, “Stronger oversight of accounting for limited liability companies and non-profit organizations will increase transparency in accounting. In particular, large unlisted firms will no longer avoid going public. They must comply with accounting standards from 2014. In addition, it will be illegal for corporations to be changed into limited liability companies to avoid regulations.”

CHINESE MONEY

China Keeping Close Eye on Korean Financial Market



China is emerging as a decisive factor in Woori Financial Group's sale.

It was reported that China Investment Corporation (CIC) offered the highest bid for the sale of Woori Investment & Securities (I&S). In addition, Industrial and Commercial Bank of China (ICBC), the largest bank in the world, is reported to be interested in Woori Bank's sale. Thus, Chinese financial institutions' moves in the Korean market are receiving a lot of attention.

According to industry sources on October 28, ICBC is closely monitoring the progress of Woori Bank's sale.

An official high in the financial industry commented, "There are not many local financial companies that afford to buy Woori Bank. To the best of my knowledge, Chinese banks with enough assets such as ICBC are considering the takeover of Woori Bank."

Currently, the top five banks in


China – Bank of China (BOC), ICBC, Bank of Communications (BOCOM), China Construction Bank Corp (CCB), and Agricultural Bank of China (ABC) – are operating in Korea.

According to the July 2013 issue of UK-based international financial affairs publication *The Banker*, ICBC was a top-ranked holder of Tier 1 capital amounting to US\$160.6 billion, beating JPMorgan Chase & Co (US\$160 billion), and Bank of America (US\$155.5 billion).

ICBC is also the world's largest bank with assets of US\$2.7889 trillion, and net profit before tax of US\$49.1 billion.

With Woori Bank's sale expected to begin next year, Kyobo Life Insurance is the only local financial company to show its willingness to buy the firm. However, Kyobo is not big enough to be the sole purchaser. Hence, a partnership with another foreign or local company is more likely.

Another Chinese financial institution is involved in the preliminary bidding for the sale of Woori I&S. It was reported that Korean company Pinestreet, which offered the highest bid, gets financial support from CIC. Japanese investment is presumed to have contributed to Pinestreet's bidding as well. Since CIC manages assets of US\$500 billion, the Chinese sovereign wealth fund is emerging as a major player in the global money and materials markets.

The high official concluded by saying, "Japanese money flowed into the Korean market by participating in lending loans or investing in savings banks. In comparison, Chinese capital of more than 20 trillion won [US\$18.8 billion] flooded into bonds, real estate, and finally stocks. It seems that Chinese firms will actively seek to make investment here by using their sufficient assets." 

China Is Expanding Takeovers of Korean Firms

According to sources in the finance and investment industry on November 8, senior officials of the S&C Engine Group are scheduled to visit Korean agricultural machinery manufacturers and discuss M&A deals during November. If a deal is finalized, it will be the first case in which a Chinese company listed in the Korean stock market purchases a Korean firm.

So far this year, Chinese companies have acquired local fashion brands in Korea such as INTERCREW and gaming companies such as Identity Games. The Industrial and Commercial Bank of China, the largest bank in the world, was recently reported to weigh its options in Woori Bank's sale, which attracted a lot of attention.

The biggest reason for Chinese interests in buy-

ing Korean firms lies in high technology. The S&C Engine Group is likely to be under favorable conditions for an M&A, since Korean agricultural machinery manufacturers with sufficient technology are in heated competition due to the dwindling local market.

In 2009, the Chinese company went public in the KOSDAQ. The S&C Engine Group mainly produces gears, auto parts, motorcycles, and lawn mowers, and recorded 197.9 billion won (US\$185.4 million) in sales and 49.5 billion won (US\$46.4 million) in operating profits last year.

The global agricultural machinery market is worth 132 trillion won (US\$124 billion). China represents 60% of the total market, and the Chinese agricultural machinery market shows 25% of its annual growth.

HANWHA LIFE INSURANCE

Opening up Indonesian Insurance Market through Localization



On October 24, Hanwha Life Insurance held the opening ceremony for PT. Hanwha Life Insurance Indonesia at the Kempinski Hotel Jakarta. CEO Chan Nam-kyu (middle) and head of the local corporation Hyeon Jeong-seop (fifth from the right) attended the ceremony and shouted "Way to go!" with the local employees.

Hanwha Life Insurance is speeding up its overseas business based on thorough localization strategies.

For example, the insurer has recently landed in the Indonesian market for the first time as a Korean insurance company. It held an opening ceremony for PT. Hanwha Life Insurance Indonesia on October 24 to expand its business in the country.

Indonesia, the fourth most populated country in the world, has recorded an annual economic growth rate of as high as 6% during the past five years, despite the global financial recession, capitalizing on its large domestic market and abundant natural resources. The insur-


ance market of the Southwestern Asian country is expected to post 6.3% growth this year, too. At present, 47 insurers are doing business there, and foreign insurers' market share almost amounts to 50%.

Hanwha Life Insurance's main target customers there are middle-income earners between 30 and 50 years of age, and its product lineup includes not just variable insurance but also education and group health insurance products. The idea is to better penetrate the market of the country characterized by high educational zeal and high interest in employee welfare. In short, Hanwha's top priority in overseas business is complete localiza-

tion.

It is using the same strategy as during the course of opening up the Chinese and Vietnamese insurance markets. Its joint venture in China was established as a fully localized firm, and has worked on participating and investment-type products suiting the needs of the people. Likewise, its overseas corporation in Vietnam is staffed with almost 150 locals, including the chief commercial officer, financial managers, senior chartered accountants and the like. Only three Koreans are working there. They are well versed in the insurance and financial market environments of Vietnam and can easily communicate and bond with the life planners, contributing greatly to the organizational competitiveness of the company.

"Our penetration of the Indonesian market has further shored up Hanwha's business network in Asia," said managing director Hyeon Jeong-seop, head of the Indonesian corporation. He added, "We will contribute to the development of the Indonesian insurance industry by means of tailored products and marketing strategies while striving to attain our goal of joining the top 15 within 10 years."

Hanwha Life Insurance has already opened its branches in Jakarta, Surabaya, and Medan. It is planning to set up five more branches before the end of next year, and then expand its network to other adjacent cities and nationwide. "More than 1,000 life planners will be working with us in 2014 and later, and, once the personal insurance business takes root, we will diversify our products to cover bancassurance, TM, etc.," director Hyeon explained. 

ECONOMIC FORECAST

High Price, High Growth Policies to Be Changed with Korea Becoming Advanced Economy



The fact that KDI, a national research and development institute, requested that the government respond to the economy by maintaining an alleviating monetary policy means that our economy still has unstable factors.

In the “2013 Second Half Annual Economy Forecast” released on November 19, KDI pointed out that the decreasing profitability in small and medium-sized businesses, household debts, and the US reduction of quantitative easing and its side effects as the major causes of structural instability.

In addition, it warned that the economy may enter the low growth and low price generation like other advanced nations, so that Korea needs to focus on maintaining financial integrity. It may be possible to support the economy by releasing finances as of now, but continuing this way will lead to troubles around the country. KDI’s lead economist, Cho Dong-cheol, said, “We should pursue policies that can respond to the economy at the moment, but starting mid next year,

we should turn our attention to financial integrity by reviewing the budget.”

Growth Rate Falling Behind Potential Growth Rate

As KDI advised to maintain monetary policy, it expected next year’s total demand pressure to remain negative. This means that the actual GDP is behind the potential GDP. In fact, KDI submitted a potential growth rate of 3.7% for next year, which is 0.3% less than what the government saw. If so, Korea will be in its fourth consecutive year in which its actual GDP falls behind the potential GDP.

To pull up the growth rate, businesses need to expand investments and hire more to increase expenses. But this kind of good circulation is not easy in the current situation.


In the case of capital investments, due to the base effect reducing this year’s by 2.5%, the numbers are expected to increase to 8.4% by next year. However, for building investments, which are another

side to total fixed investments, it will drop from this year’s 7.1% growth to next year’s 2.9%. In other words, it will be difficult to expect things to improve in terms of investment.

Analysis also shows that public consumption will not show any dramatic recovery. Public consumption grew 2.0% this year, and is expected to grow 3.6% next year, which is still not very high.

In the employment market, the improvement rates are minimal as well. This year’s employment rate of 3.2% is expected to drop 0.1% to 3.1% next year. Although there was an increase of 400K in the number of newly-employed people, there is criticism that the quality is worsening with the employment of people in their 50s continuing to rise, while people in the age group of 20~29 are still unemployed.

Exports will continue to improve. Next year’s exports are expected to be around US\$592.6 billion, which will break this year’s record of US\$568.7 billion. KDI anticipates the exchange rate to remain around the current range, from 1,050 to 1,060 won per dollar. The won will continue to grow strong with the surplus of product balances, but the appreciation of won currency is not necessarily high.

KDI suggested preparing for the low price, low growth generation. If business investments and public consumption do not recover, this low growth rate will stay. Then Korea will become an advanced nation’s economy with a very low level of inflation, while all of the current policies are based on high price, high growth goals. 

BIRTH OF LOCAL INVESTMENT BANKS

Era of Investment Banking Opens in Korea



Local securities companies with equity capital of over three trillion won (US\$2.82 billion) are now allowed to handle business loans. At the same time, the prime brokerage service, which has been limited to domestic hedge funds, is allowed for financial companies, pension funds, and overseas hedge funds. This means that a new chapter has been opened for Korean investment banks in two years since major securities companies increased their capital by issuing new stocks to meet the three trillion won equity capital requirement.


The Financial Services Commission selected five securities firms -- KDB Daewoo Securities, Samsung Securities, Woori Investment & Securities, Korea

Investment & Securities and Hyundai Securities -- on October 30 as Korea's first investment banks. All of them have prepared themselves for the past two years, waiting for the revision on the Financial Investment Services and Capital Markets Act. They obtained the authorization for investment banking business on that day.

They are moving nimbly to dominate the market based on organizational restructuring and their own future plans. Their focus is fixed on business loans, as the permission will result in new high-value businesses beyond simple loans for companies.

There still remains a hurdle on the systemic side though. According to

the Financial Investment Services and Capital Markets Act, credit offerings are limited to 100% of equity capital. This regulation conflicts with another one that stipulates securities firms' net capital ratio (NCR) be at least 150%.

"Due to the NCR restriction, it seems that IBs will be able to make use of just 500 billion to 600 billion won out of the equity capital of three trillion won or over," said an industry insider. "The NCR regulations need to be amended to facilitate the IB's business," Korea Capital Market Institute researcher Lee Seok-hoon added. He continued, "I guess that the problem will be dealt with sooner or later, as the government is well aware of it." 

LIQUIDITY CONTROL

Korean Financial Authority to Further Tighten Call Money Market

The Financial Services Commission (FSC) said on November 20 that it will further strengthen the control to scale down Korea's shortterm, overnight-based money markets by diversifying ways for borrowing and lending between financial firms.

To curb the liquidity problem, the financial regulator ironed out a plan in which local brokerage houses and asset management firms will be prevented from raising funds in the call money market from 2015.

The call money market is a borrowing or lending mechanism that financial firms use to raise short-term funds among themselves with a maximum maturity period of 90 days.

Most call money transactions in Korea are made to come due overnight

while the call market has been greatly favored by local financial firms as a means to raise funds urgently, since it requires no collateral.

Under the revised plan, however, eligible players in the call market will be limited in principle to banks only, with some exceptions allowed for some brokerage houses that have treasury bond dealings, or those engaged in the central bank's open-market operations.

Starting from the first half of 2014, most securities firms shall have to reduce the monthly call transaction amounts to the equivalent of below 15 percent of their equity capital, which is cut down further from the initial criteria of a below-25 percent threshold the FSC brought in June 2011.

The FSC estimated the number

of call money market players will be reduced to 63 from the current 413, and that of call loans to 132 from 414.

The FSC plans to drive the brokerage firms and asset management companies to submit their plans to reduce call money transactions next month, with the related law to be amended by the end of 2014.

As of the end of September, the size of Korea's call market has shrunk to 30.9 trillion won (US\$29.2 billion), which accounts for 40.2 percent of the entire short-term capital market worth about 72 trillion won (US\$68 billion). The call money market size was 34.5 trillion won (US\$32 billion) in May 2011 and the weight of the entire short-term capital market was 50.6 percent.

■



The Financial Services Commission recently rolled out a plan to scale down transactions in the call money market.

LIQUIDITY SHORTAGES

Korean Financial Watchdog to Keep Close Eye on Hanjin, Dongbu Groups



The headquarters of the Hanjin Group in Yeouido, Seoul.

The Financial Supervisory Service (FSS) will keep a close eye on two major cash-strapped Korean conglomerates to avert sudden crashes owing to their possible liquidity shortages.

The FSS plans to drive creditor banks of Hanjin Group and Dongbu Group to each clinch a new financial agreement with the two groups, which will oblige the two conglomerates to improve their financial status and keep the cash flow under control.

Hanjin is the ninth-largest conglomerate in Korea, flagship affiliates of which include Korean Air Lines and logistics unit Hanjin Shipping.

Dongbu has grown into the 17th-largest group, starting off as a builder and now covering industries such as electronics, logistics, and finance.

Both large business groups have no serious liquidity risks at this stage, since they have been undergoing a process to revamp their financial status in existing financial agreements signed with their respective creditor banks.

But the uncertain economic outlook for the next few years has led the FSS to decide to strengthen corporate oversight to prevent a series of possible bankruptcies.

The FSS is considering pushing forward with their management restructuring or posing higher interest rates if they don't comply with the financial accord.


Such considerations came as some leading conglomerates went under suffering from liquidity shortages, including the giant shipbuilder STX Group in April, and another conglomerate Tong Yang Group in September.

Hanjin and Dongbu have been exerting their utmost to secure ample capital against the liquidity crisis by selling assets and seeking help from their affiliates. Hanjin Shipping recently got financial support worth 150 billion won (US\$140.6 million) from its sister company Korean Air Lines, and is also trying to secure more money by selling perpetual bonds.

In addition, Kim Young-min, president and CEO of Hanjin Shipping, resigned over his failure to improve the company's financial health.

Kim unveiled his decision in a meeting with key officials earlier on November 11. The shipping company posted an operating loss of 55.7 billion won (US\$52 million) in Q2 this year, with a debt ratio reaching 835 percent.

In the meantime, recent corporate direct financing in the local market have been in a rough patch, as investors have avoided buying corporate bonds after a series of corporate falling-downs.

Large companies secured a total of 58.9 trillion won (US\$54.9 billion) through corporate bond sales by the end of October this year, down 9.8 percent from a year earlier. Over the same period, large businesses saw their bond issuances fall down 28.1 percent to 31.7 trillion won (US\$29.6 billion), with those of smaller companies plunging 62.2 percent to 20 billion won (US\$18 million). 

RISK MANAGEMENT

Financial Watchdog Retightening Main Debt Affiliates of Conglomerates



Financial authorities who burnt their fingers in the Tongyang Group scandal are now enforcing the risk management of large enterprises.

Authorities decided to extend the selection standards for the “main debt affiliation” policy managing insolvent enterprises to over 13 additional large enterprises. Enterprises are escaping the main debt affiliation selection, which is based on loans from financial institutions like banks, by using marketability loans such as corporate bonds or CPs. With the new standards of main debt affiliation selection, 30 main debt affiliations as of this year will be increased to 43. Most large enterprise affiliates which have paid back their bank loans with market-

ability loans such as company stocks and CP will be included in the main debt affiliation system once again.


However, increasing the number of enterprises under management is creating doubts whether it would be possible to keep the same level. With banks unable to control large enterprises aggressively, doubts on a main debt affiliation system are increasing as well. Many criticize this measure as a “policy for show” to avoid criticism of bad management, and that it will only make things worse for the enterprises that have handed over their keys to the banks.

The main debt affiliation policy began for creditor banks to manage the insolvent signals of large enterprises

ahead of time. It is for large enterprises, which last year’s financial institutes’ credit offering amount is 0.1% or higher than the total credit offering amount from two years ago. Accordingly, this year, 30 enterprises including Hyundai Motors, Samsung, SK, and LG, which remaining credit offering amount in 2012 was 0.1% or higher (1.6152 trillion won, US\$1.5199 billion) than the total credit offering in 2011 have been selected as main debt affiliation targets.

However, large enterprises managed to avoid the selection by paying the bank loans off with corporate bonds or CPs. Their financial structures have not been improved but they were no longer under management. The Tongyang Group and Hyundai Group are examples. In 2001, 60 enterprises with top credit offerings were under management, and then in 2002, 35 were selected by credit offering rates. The number continued to decrease to 41 in 2010, 37 in 2011, 34 in 2012, and 30 in 2013.

The Financial Services Commission will lower the standard to 0.075% for next year’s selections. By this year’s standards, 43 enterprises belong to the main debt affiliation. This is close to the one in 2009 (45) when the number was the highest since the main debt affiliation deregulation in 2002.

Head of Financial Policy Bureau Kim Yong-beom said, “If the standard drops to 0.075%, most enterprises excluded from the main debt affiliation due to marketability loans (with less bank loans) will be included again.” 



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한국전력공사
KOREA ELECTRIC POWER CORPORATION

Major Korean conglomerates such as Samsung Group and Hyundai Motor Group have been quite resistant to the global economic recession. Meanwhile, the resistance of mid-sized conglomerates is on the decline. With the STX, Woongjin and Tong Yang Groups being driven out of the market one after another, the financial community is busy finding fault with them and de-leveraging, while focusing on their risks.


It has been found that the 68 affiliates of the 10 major business groups in Korea which have submitted their quarterly reports recorded a cash flow from operating activities of 71.1543 trillion won (US\$67 billion) during the first three quarters of this year. The amount increased by 10.3919 trillion won (US\$9.7843 billion) compared to the same period last year. The 10 conglomerates, or chaebol, are Samsung, LG, Hyundai Motor, SK, Hyundai Heavy Industries, Doosan, GS, Lotte, Hanjin, and Hanwha.

The figure implies that the companies further concentrated on investment and marketing with over 70% of the national GDP of Korea being derived from export. It can be interpreted as a higher international standing of Korean companies in the global markets, too.

[illegible]

Cash flow by financing activities stood at just 6.3907 trillion won (US\$6.017 billion), approximately 10 trillion won less than a year earlier.

They showed some gaps though. Cash outflow from operating activities exceeded cash inflow in no less than 33

It was Samsung Electronics that made the largest investment. Its cash outflow from investing activities reached 34.0389 trillion won (US\$32.0487 billion). Hanwha, Hyundai Motor, SK Hynix, SK, and LG Display were aggressive in investment, too. 

KEPCO

Laying Successfully Groundwork for Nation's SmartGrid



The Korean government implemented a roadmap and legal framework for establishing the world's first national SmartGrid network. This has led to building the world's biggest SmartGrid Testbed, a cluster of infrastructure and labs, on Jeju island. 168 corporations from various industries including electricity, ICT, energy, along with 12 consortia have participated in the development, contributing to various data tests that explored different types of business models.

KEPCO developed several commercialization models and test schemes by pursuing five major areas, namely SmartGrids, Consumer Services, Transmission and Distributions, New Renewable Powers, and a Power Service Charter.

Some of the major achievements of the validation project include the utilization of intelligence-based electricity metering, or advanced metering infrastructure (AMI), which has enabled the knowledge-based reading of general customer energy usage patterns and demand reactions.

Furthermore, a network-utilizing intelligence-based system has led to the reduction of malfunctions and more

effective operation of the electricity grid. Thus, with its highly sophisticated application of technologies such as a quality check system and monitoring malfunctions resulting from bidirectional operation, coupled with the further expansion of electricity generation, the new system plays a critical role in helping to stabilize the nation's power grid. In addition, the standardization of infrastructure for power charging, the mass power storage device and microgrid, all of which are commercially viable, has been actively pursued, resulting in several new business models.


The SmartGrid can only be fully utilized when the infrastructure is all in place. Therefore, the seamless supply and sustained expansion of the advanced metering infrastructure and energy storage system (ESS) is essential. With this in mind, KEPCO put together a task force team to implement and execute an AMI project estimated at 1.7 billion won (US\$1.6 million), while concentrating on efforts to make the ESS feasible.

Enhancement of technology based on long term R&D enables the commercialization of business models and adds to the nation's technological strength. KEPCO already has been preparing for a SmartGrid, having already been involved in the government's 10 major IT and electricity projects from 2005 to 2010. Technological advancement and systems based on such highly sophisticated development have led to the construction of the Jeju Testbed, and KEPCO has begun the age of the SmartGrid.

Last June KEPCO completed the Jeju Testbed project, which has been at work since 2009. While this testbed

project is far from being perfect, it is the world's first credible effort at constructing a facility specifically dedicated to convergence and SmartGrid, a remarkable feat considering that it has given KEPCO the technology and the foundation necessary for exploring various business models.

So far, the testbed project has been focused on categorical testing of data and the development of business models. But now there are plans to realize value-added results through expansion of the SmartGrid, with the aim of cherry-picking and pinpointing characteristics for geographical application. SmartGrid solutions covering areas of standardization, security, compatibility, and usability will also be built, strengthening the nation's technological capacity.

KEPCO plans to be heavily involved in ESS in conjunction with the government's policy of balancing distribution expansion and demand control. ESS can store energy during light load time and release when it is needed. It can also combine irregular power sources such as natural wind, solar energy, and electrical systems based on the power grid's frequency, which is related to the speed of rotation of generators in the power grid. The monitoring of electricity grid frequency, which currently relies on coal – an inexpensive source of energy – can be performed by ESS, and doing so will dramatically reduce the cost of power generation. KEPCO is actively reviewing the applications of ESS for the purpose of monitoring the energy grid frequency, and plans to construct infrastructure capable of monitoring up to 500MW by 2017. 

THE KOREA POWER EXCHANGE

Bringing in Frequency Regulation Technology for Energy Storage System

The Korea Power Exchange (KPX) announced that it discussed the introduction of energy storage system frequency regulation (ESS-FR) services back in July with Director General for Energy Industry Policy Jeong Seung-il of the Ministry of Trade, Industry and Energy and the CEOs of the companies participating in government-led projects.

ESS-FR can be defined as a novel technology in which the charging and discharging of an ESS is used in place of the adjustment of thermal power plant output in order to maintain the power grid frequency of 60Hz. Power balance can be maintained more efficiently with the aid of it. Also, it can reduce the costs associated with thermal power plant frequency adjustment and contribute to a better management of power systems while creating new business opportunities on the national level.

More specifically, the low-cost power generation can be expanded to reduce the ratio of expensive LNG-based power generation, more power stations for backup power do not have to be built to and the amount of yellow plume can be cut, too. On the part of the operators, the short-period services focusing on the power of the ESS can result in a reduced employment of expensive batteries while the constant output operation contributes to combined power generation efficiency and the costs required for the installation of power generation output control facilities.

The ESS is charged with the power from the power grid, or regulation-down, when the frequency rises and the charged power is released, or regulation




up, during a decrease in the frequency. In this way, the low-cost generators in runback operation for frequency adjustment can be run with a constant output, which, in turn, results in a significant reduction in the power generation costs.

In this context, a government-led project is in progress for three years until May 2016. Its purpose is to develop ESS operating systems for power grid frequency adjustment along with a new power market framework and a total of 21.5 billion won is planned to be invested in it, 10 billion won by the government and the rest by the private sector. 10 organizations, including the lead manager of KPX, SK Innovation, LG Chem, LS Industrial System and Hyosung, take part in it.

At present, the United States, Japan,

Chile and many other countries are conducting various research projects in the ESS-FR field, aware that the sector has huge growth potential in the future. In particular, the US has already started tens of megawatt-scale commercial operations in as early as 2010.

“We will be putting great efforts for market creation, so that the ESS-FR services provided by multiple operators can be traded smoothly in the power market,” said KPX director Nam Ho-ki, adding, “The endeavor will start from the frequency regulation service, which is deemed to be the most feasible as of now, and then be expanded to cover the various applications of new and renewable energy commercialization, replacement of pumping-up power generation, etc.” 

TREND OF IT EXPORTS

IT Exports Jumped 11.6% Mainly Due to Smartphones, Semiconductors



Smartphones are shipped out on an Asiana Cargo aircraft. 12 November 2013

According to a report compiled by the Ministry of Science, ICT and Future Planning on November 11, Korea's exports of information technology (IT) products in October rose 11.6 percent from a year earlier.

IT product shipments overseas reached US\$16.23 billion in October, recording the highest-ever monthly performance since May's US\$15.15 billion. The trade surplus

in the IT sector also reached an all-time high of US\$8.4 billion by jumping 19.7 percent from a year earlier.

The ministry attributed the export growth to a sharp increase in shipments of mobile phones and semiconductors.

Exports of mobile handsets surged 30.5 percent year-on-year to reach US\$2.9 billion, with smartphones accounting for an all-time high US\$1.7 billion.


Shipments of semiconductors also increased 14.9 percent year-on-year to US\$5.3 billion, centered on memory chip sales, which climbed 43.1 percent to US\$2.29 billion.

By nation, exports to the US rose 28.6 percent year-on-year to US\$1.41 billion with shipments to the 10 member coun-

tries of the Association of Southeast Asian Nations (ASEAN) jumping 33.4 percent to US\$2.16 billion.

Shipments to China increased 3.4 percent from a year ago to US\$7.84 billion. Exports to the Eurozone climbed 10.7 percent to US\$1.49 billion.

The ministry said the nation's export of IT products is expected to keep its growth trend until the end of this year on the back of the global economy's recovery mood and seasonal demands for IT products at the end of the year.

In the meantime, Korea's import of IT products amounted to US\$7.76 billion, up 4 percent from a year earlier, with inbound shipments of mobile handsets soaring 90.9 percent to reach US\$540 million. 

IT Exports in January-September

According to the Institute for International Trade (IIT) of the Korea International Trade Association on October 30, Korea's IT exports amounted to US\$99.5 billion in January-September this year, a year-on-year increase of 9.6%. It is well over the growth rate of total exports (1.3%) over the same period.

IT products recorded US\$50.6 billion in trade surplus, up US\$6.5 billion from last year. Thus, the IT sector experienced the highest growth in exports, beating the auto industry (US\$45.9 billion). What is noticeable is that the growth rate of parts (11.1%) is twice that of finished products (6.2%).

Parts made up 66% of the total IT exports in 2008, but increased to 83% during January-August 2013. In 2008, they represented 49.2% of all IT products in trade surplus, but soared to 82.8% Jan-Aug.

Among export items, semiconductors, communication devices, and printed circuit boards were the major contributors to growing IT exports.

The top export item was semiconductors (US\$36.2

billion) due to advanced export structure through a balanced ratio of computer memory chips and systems. The second-largest export item was display panels (US\$21.4 billion), which saw a decline in the importance of TVs and monitors, and the growing importance of mobile phones and tablet PCs.

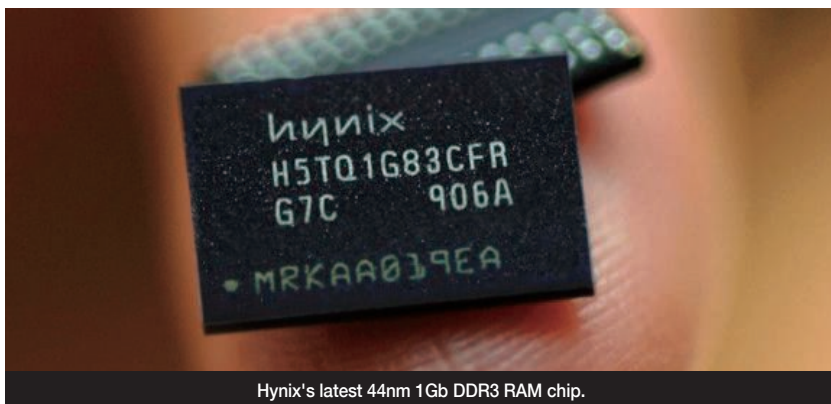
As for cellular phones, parts accounted for 48.3% of total exports, nearly approaching the figure for finished goods (51.7%). However, it can be said that the exports of parts exceeded those of finished products, since semiconductors and LCDs for mobile devices are counted separately.

By region, IT exports to China comprised the largest proportion, with 39.9% (US\$34.9 billion), followed by Hong Kong (12.5%, US\$10.9 billion), the US (10%, US\$8.8 billion), Vietnam (5.1%, US\$4.5 billion), Singapore (4.7%, US\$4.1 billion), Japan (4.2%, US\$3.7 billion), and Taiwan (3.9%, US\$3.4 billion).

In total, outbound shipments of IT products to China, Hong Kong, Vietnam, and Singapore grew, but those to the US, Taiwan, and Japan shrank.

GLOBAL DRAM MARKET

DRAM Shortages Expected Next Year



Hynix's latest 44nm 1Gb DDR3 RAM chip.

Following oversupply in Q1-Q3 2013, DRAM chips are in short supply in Q4, and the trend is expected to continue in 2014. As a result, DRAM prices are likely to continue to rise, and memory manufacturers will probably record better performance next year.

According to market research firm iSuppli on November 18, in Q3 this year the demand for 1GB DDR3 RAM equaled 9.142 billion units, while the supply amounted to 9.302 billion units. The proportion of demand to supply was 102%.

However, the fourth quarter has seen a surge in demand and a decrease in supply. So far, 11.53 billion units have been

demand, but only 9.877 billion units have been supplied to the market. The demand to supply ratio is 86%.

In Q1 2014, it is predicted that 11.011 billion units will be requested, while 10.179 billion units will be available in the market. The ratio is estimated to be 92%. In the second quarter, the ratio is likely to reach 91% with 11.611 billion units in demand and 10.582 billion units in supply.


Starting in Q3 next year, the gap between demand and supply is going to widen again. In Q4, demand is likely to reach 15.192 billion units, whereas supply is expected to stand at 11.926 billion units. Thus, the percentage of supply vis-

à-vis demand is forecast to be 79%. It is anticipated that the market will encounter the worst supply shortages after the first quarter of 2015. Experts in the stock market are forecasting that the demand and supply for DRAM chips are not going to be kept in balance next year.

IBK Securities is predicting a 29% increase in demand and a 26% rise in supply in 2014. Analysts in the semiconductor memory

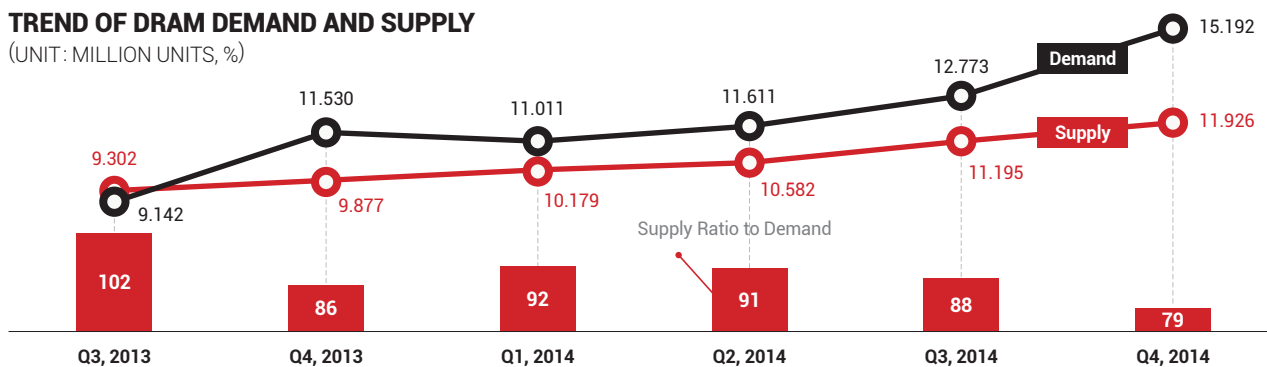
industry anticipate that DRAM prices will continue to go up next year.

In fact, the DRAM spot price has been steadily rising since the fire in SK Hynix's Wuxi plant on September 4. According to semiconductor e-commerce site DRAmEXchange, the price for 1GB DDR3 RAMs hit US\$1.396 on November 18, up 24% compared to September 4. The price for 2GB DDR3 1600MHz RAM recorded US\$1.997, a 27% increase.

Kim Sung-in, a senior analyst at Kium Securities, said, "DRAM prices are likely to continue to rise in Q4 2013 and Q1 2014," adding, "Memory manufacturers such as Samsung Electronics, SK Hynix, Micron, and Toshiba are expected to post the best performance next year." 

TREND OF DRAM DEMAND AND SUPPLY

(UNIT: MILLION UNITS, %)



※Data : iSuppli

SK HYNIX

Recording Highest-ever Quarterly Sales, Operating Profits in Q3



SK Hynix's 20 Nano-Class 8Gb LPDDR3 memory chip.

For the second quarter in a row, SK Hynix achieved its highest-ever quarterly figures for sales and operating profits, even with a massive fire at its factory in Wuxi, China.

On October 29, the world's second-largest manufacturer of computer memory chips announced its performance results in the third quarter this year. It attained 4.84 trillion won (US\$4.55 billion) of sales and 1.164 trillion won (US\$1.10 billion) in operating profits. Its net profits, on the other hand, amounted to 958 billion won (US\$901 million), after reflecting non-operating expenses. The Q3 results are the highest, beating its own previous records in Q2 with 3.933 trillion won (US\$3.7 million) in sales and 1.114 trillion won (US\$1.048 billion) in profits.

An SK Hynix official said that the company was able to record more than

4 trillion won (US\$3.76 billion) in sales for the first time. It is attributable to a rise in DRAM prices and an increase in the shipment volume of NAND flash memory chips.

In the third quarter, the average sales price for DRAM was up 5% from the previous quarter, but down 2% in DRAM shipment volume.


The increased average sales price derives from continuing price hikes in PC and server DRAM, while the decreased shipment volume arises from reduced sales caused by the fire damage.

In contrast, the average sales price for NAND flash memory dropped 6%, but its shipment volume rose 11% from Q2 because of growing demands from mobile phone manufacturers.

The memory-chip maker predicts that the demand for PC and server DRAM in Q4 will continue to grow,

owing to a rise in the amount of DRAM used in 2-in-1 PC/tablet devices. On top of that, it anticipates that demands for graphic DRAM will continue to rise, stemming from new gaming and video game consoles, along with surging demand for mobile DRAM.

The company also expects that the demand-supply gap in the global DRAM market will narrow, since supply shortfalls for DRAM caused by the fire in Wuxi are forecast to be offset by utilizing NAND flash-making equipment in DRAM production.

In the short term, SK Hynix is seeking to complete the development of 20-nano mid-class mobile DRAM and 10-nano class NAND flash memory chips, and bring them to mass production. Its long-term plan is to generate continuous and steady profits in the memory industry. 

LG DISPLAY

Manufacturing World's First Flexible OLED Panels for Smart Phone Use



LG Display (CEO Han Sang-beom) started the manufacturing of flexible OLED display panels for smart phones for the first time in the world to prove its technological excellence in not only the TV but also mobile sectors.

The company announced on November 7 that it began the mass production of flexible AM OLED panels for smart phone use. The products are six inches in size, which is the largest of all existing mobile OLED panels, and have a vertically curved shape. Not glass but plastic substrates are applied to them.

The flexible OLED panels are characterized by the attachment of a protective film instead of glass after completing the panel production process by means of a sealing technique based on a plastic thin film transistor (TFT). As such, the panels can be freely bent and resistant to external impacts.

The other LCD and OLED panels in the market require upper and lower plates to be attached and sealed with glass in order to prevent moisture pre-

vention and support the display element, which leads to an increase in weight and the possibility of breakage. LG Display's new products are expected to deal with the problems to better suit the needs of the clients.

"The new panels will further increase our presence in the entire flexible OLED market regardless of the screen size," said the company's chief technology officer (CTO) and vice president Yeo Sang-deok, adding, "We are also planning to come up with higher-performance and design-improved flexible OLED products."

As stated above, the latest products of LG Display adopt plastic substrates to be curved vertically like a banana. Specifically, the amount of curvature can form a radius of approximately 700 mm and is expected to result in an innovation of smart phone design.


The company's flexible OLED panel is produced by stacking multiple thin films instead of glass substrates and thus the thickness is no more than 0.44

mm, about one-third of the glass-based products. It is the thinnest one of its kind in the world and weighs just 7.2 g to be the lightest. In addition, it is highly practical since it can endure repeated falls and external impacts.

Back in March 2012, LG Display developed and manufactured the world's first plastic and electronic ink-based, six-inch electronic paper display (EPD) panel. Along with it, the new flexible OLED panel is likely to cement its leadership in the global display industry. The company unveiled a 55-inch curved OLED TV ahead of anyone else at the Consumer Electronics Show earlier this year, too.

The display panel manufacturer is planning to present bendable and unbreakable products sooner or later as well to accelerate its technological evolution. It is also working on rollable and foldable ones so that more people can feel the innovation it brings in the everyday life.

"The flexible display market and technology are in their early stages yet, but I am sure that the technology will be in wide use in the near future as part of mobile devices, in-vehicle displays units where safety matters, tablet PCs, watch phones and many more," the CTO went on, continuing, "My company will take the lead in the technological and market innovation capitalizing on its competitive edge."

In the meantime, according to market research firm HIS Display Bank, the global flexible display market is estimated to reach US\$1.5 billion in size in 2016 and the figure is forecast to exceed US\$10 billion in 2019. 

E-GOVERNMENT SYSTEM

Exports of Korea's e-Government Systems Slowing Down in 2013, Requiring New Strategy



The "Global e-Government Forum 2013" was held in KINTEX in Ilsan, Korea, on October 22-23.

Korea ranked first in UN e-government ratings in 2010 and 2012, but total exports of Korean e-government systems have been slowing down this year.

According to the Ministry of Public Administration and Security on November 11, Korea exported its e-government system to 27 countries as of October 31. The total amount reached US\$341.7 million, 76% of the US\$400 million target.

The result is widely regarded as an improvement in quality rather than quantity, given an increase in credit assistance through credit loans or local loans of import countries, instead of free handouts via Official Development Assistance (ODA).

In fact, export performance has not been so strong this year, as witnessed by delayed projects including a project for

e-resident cards in Iraq.

The export target for 2013 has been set at US\$400, a 33% increase from last year. The target was set by considering that the export growth rates are likely to slow this year, since exports in 2012 grew by 44% year-on-year to reach US\$341.7 million. In 2011, the number amounted to US\$235.66 million, a 158% increase from 2010 (US\$148.76 million). The figure in 2010 was more than twice as many as that of 2009 (US\$66.7 million).

The slowing trend has an impact on large companies in Korea. The top exporter Samsung SDS is planning to pull out of local and overseas markets in the latter half of this year.

POSCO ICT formed a consortium for a project for e-resident cards worth US\$100 million in Iraq funded by the Iraqi government. Nevertheless, the


project will not start within the year.

Meanwhile, SK C&C finalized only three deals, and LG CNS proceeded with two projects.

The reason for this year's poor results lies in a delay in projects where overseas countries place an order themselves. Also, it was difficult for Korea's smaller system integration companies to secure references, as large companies were no longer able to participate in the Korean public informatization projects below a certain level.

An industry source said, "Orders for overseas e-Government projects initiated by KOICA are subject to Korean regulations. Under a revision to the Software Industry Promotion Act, large companies cannot participate in almost all of the overseas projects due to the regulations. In addition, overseas projects often demand references that were made over a long time span, which means that potential project carriers need at least a few years of experience in the field."

Korea's e-government systems started in 2001~2002, grew in 2003~2007, and matured in 2008~2012. Despite a slowdown in export growth, there are a lot of expectations stemming from a sudden rise in visitors from developing countries to learn about e-government.

Many experts pointed out, "No projects for e-government at home and abroad are considered to be highly profitable. So, it is the time to change the current e-Government export strategy to package-type exports, by setting up a control tower at the governmental level." 

MOBILE STANDARD WAR

Samsung, LG Competing to Take Lead in Global Mobile Standards



With the mobile phone-related business sectors of the two companies emerging as their major growth engines, Samsung and LG Electronics are focusing on the development of their own mobile ecosystems. To dominate the global Information and Communications Technology (ICT) market, they are concentrating all their competences into establishing an ecosystem for mobile platforms, wireless charging, and wireless communications.

Samsung, LG Intend to Develop Own Mobile Platforms

According to industry sources on November 10, the two Korean Android device manufacturers are aiming at the development of their own mobile platforms.

Samsung is intensifying its efforts to diversify its mobile platform with open source Linux-based operating system Tizen that was developed by Intel and

members of the Tizen Association. This phenomenon shows that the Korean tech giant is trying to become independent of Google's Android platform.

Led by Samsung and Intel, the Tizen Association is composed of 18 members including SK Telecom, KT, LG U+, NTT DoCoMo, Vodafone, Panasonic, Orange, Sprint, Fujitsu, and Huawei.

In particular, Samsung is spurring the development of the world's first Tizen-based smartphone. At first, the



Samsung Electronics and LG Electronics are waging an all-out war to take initiative in global mobile standards.

firm planned its launch before the end of the year. However, the Tizen phone is likely to be introduced in the first half of 2014 because of the company's attempts to diversify applications.

Choi Jong-deok, Executive Vice President at Samsung Electronics & Co-chair of the Tizen Technical Steering Group, will be the keynote speaker at the Tizen Developer Summit Korea 2013, which will be held at the Ritz-Carlton, Seoul from November 11 to 12.

He will talk about Tizen OS and the present conditions of product development.

LG is also making an effort to diversify its OS offerings with Linux-based platform webOS and the free web browser Firefox developed by Mozilla. webOS is an open source Linux-based operating system acquired from Hewlett-Packard early this year.

In October, the second largest Android smartphone maker showcased the first-ever Firefox smartphone in Brazil, called the Fireweb.

It is also planning to unveil a webOS-based smart TV in 2014.

Intense Competition in Wireless Charging, Wireless Communications

Both companies are also vying to develop wireless charging technologies for smartphones. Currently, mobile devices are mostly charged using wires plugged into a wall socket. However, the industry expects that wireless charging will become popular within 5 years.

LG is a key member of the Wireless Power Consortium (WPC) that was developed ten years ago. It is necessary for any smartphones using WPC's magnetic inductive charging technology to get a Qi certification issued by the consortium. For inductive electrical power transfer, a power transmission pad and a mobile

device should be held at a distance of 1-2cm from each other. The wireless charging method is 90 percent more efficient than using a charger.

The Korean mobile phone manufacturer is also a pioneer in the field of Korean wireless charging for smartphones. In May 2012, LG released smartphones featuring magnetic inductive charging, including the Optimus LTE2, the Optimus G Pro, the Nexus 4, and the Revolution.

Meanwhile, Samsung is working on the development and standardization of a magnetic resonance-based wireless charging technology for its future smartphones. In resonance charging, two copper coils are used. One coil attached to a charger is the sending unit, while the other coil attached to the smartphone is the receiver. With both coils tuned to the same electromagnetic frequency, the energy produced from one coil is transferred to the other. The efficiency of resonance charging is lower than that of magnetic inductive charging, but the former can transmit power at a greater distance.

Samsung Electronics is leading the commercialization of the magnetic resonance-based wireless charging method by establishing the Alliance for Wireless Power in May 2012 in partnership with Qualcomm and others. LG and Pantech joined the alliance in the first half of this year, and are planning to use this method with their mobile devices in the future.

The influence of Samsung and LG is also increasing in the global near field communications device market. For instance, 25% of Bluetooth phones shipped so far this year were produced by the two firms. In particular, LG is expected to take the lead in the future development and direction of Bluetooth technologies, in light of its joining of the Bluetooth Special Interest Group in July for the first time as a Korean company. 

REASON FOR INCREASING RECALLS

Use of Smartphones during Work Hours Emerging as Significant Problem



Assembly line at Hyundai Motor Company's car factory in Ulsan, South Korea.
(Photo courtesy of Taneli Rajala/Wikimedia Commons)

The development of smartphones, which has contributed greatly to Korea's IT powerhouse status in the world, is posing a dilemma to the country's manufacturers. The novel invention has enabled smart working, but the manufacturing defect ratio is rising at the same time as employees are looking at their smartphones more often than not during working hours.

According to Hyundai Heavy Industries, the popularity of its m-PASS is on the rise these days. m-PASS is the world's first smartphonebased after-sales management system dedicated to marine vessels.

Using the system, shippers can easily register and browse problems related to various in-ship equipment and check data such as navigation schedules, technical information, the list of equipment suppliers, and after-sales service providers. In addition, they can exchange opinions and information with Hyundai's employees for real-time troubleshooting.

Last year, it established a smart customer service system as well to remotely cover engine-related problems by

means of smartphones and tablet PCs. It has been well received by global shippers trying to save on costs and tackle problems without delays. "The new system is very convenient because we can take pictures of problematic vessel components, post the photos and deal with them at one go," said Darrell Janssen, engineering manager at Noble Drilling. He continued, "The system has led to our greater confidence in the ships built by Hyundai Heavy Industries."

Hyundai Mobis is utilizing a smart monitoring system in its manufacturing processes, too. Various standards associated with inspection items are input in advance and compared to real-time inspection data during the processes. In that way, detailed information is provided for managers and workers in the form of smart phone text messages when an abnormal value is found.

As stated above, smartphones are of great help in many companies, but some experts are pointing out that they are affecting the concentration of employees during working hours.

For example, a semiconductor component manufacturer located in Cheon-

an City, South Chungcheong Province recently had a headache due to an increased defect ratio. The loss is huge even with a single poor component, as it costs millions of won. The company had hard time figuring out the reason of the sudden increase in the number of defective products. Then, it happened to find out that the defect percentage had to do with the employees' use of smartphones. "Although they did not make a phone call or play a game during the business hours, we found that they checked stock price information or text messages, and this caused the increased defect ratio," said the company.

The story is just one example of the concerns many manufacturers in Korea have nowadays. "We are considering that the frequent recall of vehicles of late is also related to the use of smartphones during work hours," said an auto industry insider. The number of recalled cars manufactured by Korean automakers rose from 165,919 last year to 959,359 by November 18 this year.

Even though most processes in automobile manufacturing have been automated, it still requires a lot of manual work. As such, concentration on the work is essential, but the use of smartphones is hindering the concentration in not a few cases.

"We have tried to ban the use of smartphones during work hours in this context, but the discussions are in a stalemate due to the strong opposition expected from the labor union," said a local automaker, continuing, "Besides, it is difficult to dissuade the union, because we cannot clearly show the correlation between the use of smartphones and the decline in product quality." ■

VERDICT ON SAMSUNG-APPLE

US Jury Declares Samsung must Pay Apple Additional US\$290 Mil.



A US jury declared a verdict that orders Samsung Electronics to pay Apple US\$290 million in damages.

The amount falls short of the US\$379.8 million requested by Apple, but is much higher than the US\$52.7 million Samsung argued it should have to pay.

In August 2012, a previous jury at the US District Court for Northern California ruled damage compensation of US\$1.05 billion for Apple, but the judge ordered a new trial, based on the conclusion that the amount Samsung owed was miscalculated.

Apple had originally sought US\$2.5 billion in damages from Samsung, arguing that Samsung had copied its designs for the bodies of the original iPhone and iPad, as well as user-interface elements such as the bounce-back response.

In March this year, District Judge Lucy Koh accepted US\$640 million in a partial judgment. So, if Koh accepts the new verdict, Samsung will have to pay

a total of US\$930 million, which inches down only 12 percent, some US\$120 million.

Even if the verdict is accepted by the US court, it would not give Samsung a fatal blow, considering its operational profit reached 6.7 trillion won (US\$6.3 billion) in the third quarter of this year. However, local industry has concerns that the tag of “Copying Apple” would give not a little hurt to the corporate image of Samsung as the global #1 smartphone maker.


Earlier on November 20 (local time), Samsung Electronics filed an application with the US district court, asking the trial for damages settlement against Apple to be suspended temporarily. The request was, however, not accepted by the court.

Samsung demanded the suspension of the trial based on the fact that the pinch-to-zoom patent (US Patent Number 7844915), one of those that were judged to have been violated by the court

of the first instance, has been deemed invalid by the US Patent and Trademark Office. The USPTO delivered the preliminary judgment in December last year and the final ruling in late July this year, mentioning that the patent in question has at least some controversy in terms of prior art and the clarity of the claims. Apple has made the most of the pinch-to-zoom patent in its litigation against Samsung.

After the jury’s verdict, Samsung expressed regret over the jury’s verdict, saying that it plans to appeal the case and continue to roll out products and technologies loved by customers across the world.

An industry source said, “This verdict is a representative case that the US’s pulling for its enterprises is getting stronger.”

The court’s ruling is expected early next year. Samsung and Apple are currently locked in battles in courts of more than 10 countries across Europe. 

ITU SECRETARY-GENERAL

Stressing Korea's Role for Global Super Information Highway



International Telecommunication Union Secretary-General Hamadoun Toure.

“Standard patents should not get in the way of corporate innovation, but instead the patents must be a catalyst for greater innovation and cooperation. Companies such as Samsung Electronics and Apple should work together with each other rather than filing suits.”

International Telecommunication Union (ITU) Secretary-General Hamadoun Toure emphasized the importance of innovation and cooperation based on standard patents and development utilizing the Internet during his recent exclusive interview with local media.

“Let’s say there are 200 patents related to standards. One of them takes half of the total profits and demands excessive royalties so that the rivals cannot use the patents,” he said, adding, “The role of the ITU is to prevent standard patents from hindering innovation, and my organization has the capabilities to do the job.” He went on to say, “ITU standard patents are global standards provided free of charge, and thus can lead to greater innovation. What is important is to ensure compatibility between new standards.”

He urged companies to deal with their patent-related problems not by litigation but by talks and cooperation. “We

have asked companies to refrain from filing lawsuits and drawn up constraint regulations for obligatory negotiations. If they work together with each other, there is no need for legal battle,” he explained.

The Secretary-General also said that standards and regulations are necessary for telecommunications technologies. “Determining standards such as the width, height, and weight of automobiles is to make traffic smooth and boost its efficiency, not to strangle automakers.” He continued, “Standardization and regulations are a must to raise the speed of mobile communications, and their importance will be even greater with time as the quantity of digital content and the type of devices increase.”

He stressed that the ITU’s ultimate goal is to connect the entire world, that is, to establish a super information highway in which anyone can have inexpensive access to the Internet anytime and anywhere based on the higher connectivity provided with technological development. He mentioned Internet-marginalized regions, too. “The Web has brought innovation to our lives and had a positive effect across the globe, and we need to speed it up by making use

of broadband.” He added, “Two-thirds of the world’s population does not have Web access now, and they should be allowed to do so.”

He remarked that Korea has a significant role to play in this context. “Korea is one of the most successful cases when it comes to the development of the Internet, and a textbook example that developing countries can take a leaf from. And I would like to ask the Korean government to make more efforts for the development of the Web in less-developed countries,” continuing, “The Internet is so complex that we cannot define it with a single word, but for me, as a person coming from a developing nation, it has meaning of development, and the broadband Internet is something desperately needed for that development.”

Established in 1865, the ITU is one of the oldest arms of the United Nations, and has over 770 companies in 192 countries as its members. Secretary-General Hamadoun Toure has headed the organization since January 2007 and presided over the ITU Patent Roundtable, an out-of-court battle between Samsung Electronics and Apple, in October last year. BK

MARKET'S COLD RESPONSE

Did Curved Smartphones Believe Too Much in Technology?

The world's first curved smartphones made by Samsung and LG have been met with a negative consumer reaction.

The early sales volume has stayed at a meager level, since the flexible smartphones have inferior features and have had to compete against other flagship handsets launched around the same time. Those are the reasons why the market is showing a cold response to the curved smartphones, which should be called "pilot products."

Losing Momentum at the Early Stages

According to sources in the mobile telecommunications industry on November 20, less than 100,000 units of Samsung Electronics' Galaxy Round were sold 40 days after its October 10 launch through SK Telecom.

An industry source said, "The specifications of the Galaxy Round are similar to those of other premium phones, but consumers seem to regard Samsung's curved smartphone as strange." The

edge, less than 100,000 units have been sold so far."

LG's curved phone is not popular, either. After the October 12 introduction through three local mobile carriers, only 200~300 units of the G Flex are reported to be subscribed to mobile telecommunications operators each day. Its sales figures are just a drop in the bucket compared to that of other recently-unveiled flagship phones. For example, 500,000 units of Samsung's Galaxy Note 3 were sold 40 days after its launch. As for the Pantech Vega Secret Note, more than 200,000 units were sold for a month after its release, with average daily sales volumes amounting to 5,000 units.

These results show that usually at least 100,000 units of premium smartphones are sold for a month after the introduction. However, curved smartphones are an exception, despite having similar specifications.


Failure to Differentiate

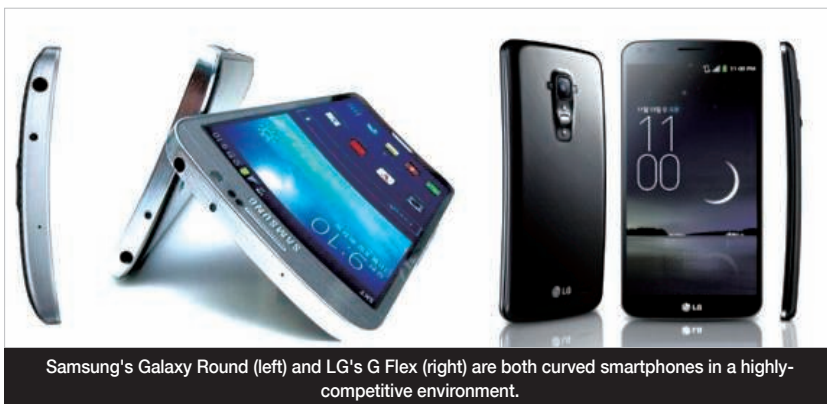
Customers do not appear to be very enthusiastic about curved smartphones.

in the Gangnam underground shopping arcade said, "Occasionally, people ask about the Galaxy Round and the G Flex, but they are just curious about the new handsets. So, they rarely buy those curved phones." The sales clerk added, "I don't think that curved phones have any distinctive characteristics in comparison to other premium smartphones. They are just a little bit curved. That's all."

The curved phones' poor sales appear to have been affected by stiff competition in the market. There has been intense competition between handset manufacturers. Since September, the Galaxy Note 3, the G2, the Vega Secret Note, the iPhone 5s, and the Nexus 5 have been revealed one after another.

Flexible phones are not competitive in price either. The Galaxy Round costs 1.089 million won (US\$1,025.32) per unit, which is the most expensive among all of the smartphones released so far this year. The G Flex is priced at 999,000 won (US\$940.59), the most expensive among LG's smartphones. The subsidy for the two curved phones is valued at 100,000 won, similar to that of the iPhone 5s.

The industry source commented, "Customers are not much interested in curved smartphones, since other flagship products were released around the same time." The source concluded by saying, "After the introduction of the two curved smartphones, there was controversy as to whether or not those products were made just to show off Samsung's or LG's technology. Apparently, the significance of the Galaxy Round and the G Flex lies in the fact that they are the industry's first flexible smartphones." 



Samsung's Galaxy Round (left) and LG's G Flex (right) are both curved smartphones in a highly-competitive environment.

BATTLE IN WORLD'S LARGEST MARKET

Samsung, Apple on Collision Course in Chinese LTE Market



LTE telephony is growing fast in China, a land of opportunity for smartphone manufacturers. Competition between Apple and Samsung Electronics is likely to heat up in what is sure to be the world's largest LTE market soon.

Recently, China Mobile put an ad on its official website that it will launch its first LTE service between November 9 and 11. With the commercial LTE-TDD service of China Mobile around the corner, global smartphone manufacturers are making aggressive efforts for local marketing and business cooperation.

China Mobile kicked off its pilot LTE service in Beijing on November 6. Since that day, it has sold Sony's Xperia and Samsung Electronics' Galaxy Note 2 handsets. It is expected that the mobile carrier will additionally release the Apple iPhone 5S and 5C, and some

other phones manufactured by Samsung, Sony, Huawei and the like in the early stages. It has been found that ZTE's Grand Memo, Huawei's Ascend D2, and Apple's iPhone 5S and 5C have already been permitted for sale by the Chinese government.

Samsung Electronics is trying to dominate the Chinese LTE market in advance with its high brand awareness in the local market.

China Mobile, on its part, needs to work more closely with Samsung, the number one handset supplier in China, in order to rapidly expand its LTE services, too. According to market research firm Canalys, Samsung Electronics increased its smartphone sales volume by 156% year-on-year in the third quarter of this year, and recorded the highest market share of 21% there. It was followed by

Lenovo (13%), Yulong Computer Telecommunication (11%), and Huawei (9%).

Back in August, Samsung Electronics announced that it would release the dual-mode Galaxy S4 and Galaxy S4 Mini supporting LTE-FDD and LTE-TDD in China. Still, it has yet to be found whether the products have been cleared by the Chinese government.

Apple is getting aggressive, too. It launched the iPhone 5S and 5C in China two months ago, raising its local market share up to 8% and climbing to the fifth spot within a very short period of time. More recently, it is said that China Mobile is shoring up its partnership with Apple for 4G telephony. A foreign news agency has reported that China Mobile has inserted a link to an iPhone ad on its official website. 

SMARTPHONE COMPETITION

Competition Getting Fierce with New iPhone, Nexus Launched Earlier than Expected in Korean Market

In the past, Apple and Google were criticized for the belated launch of new smartphones in Korea. However, this year will be an exception. The early introduction of Apple's new iPhone and Google's new Nexus smartphone is drawing a lot of attention, since local mobile phone manufacturers could take a direct hit from the launch.

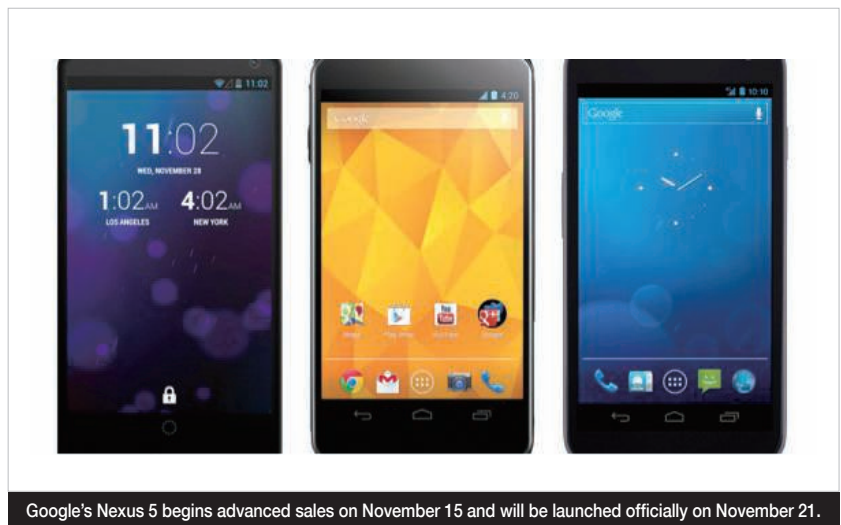
Korean smartphone makers are already suffering owing to the recent government regulations on the mobile phone subsidy. With the release of Apple's and Google's new mobile phones, local companies are worried over fierce competition in the future.

In particular, Google's flagship product is emerging as a decisive factor in the Korean premium smartphone market, as Korean mobile carriers are more actively participating in its local distribution. Advanced and cheaper than previous models, the Google Nexus 5 is being sold online on Google Play starting November 1, and will be revealed through local mobile carriers.

A KT official said, "Advance sales of the Nexus 5 will begin on November 15, and it will officially launch November 21," adding, "The factory price will be similar to or a little lower than that of a handset currently sold on Google Play."

SK Telecom is also preparing to showcase the new model within the next week.

In November 2012, the launch price of the Nexus 4 was half that of the LG Optimus G, even with the same features. As Google's previous model was immensely popular overseas, its release in Korea seemed likely. However, the




company postponed the launch, and only showcased the smartphone nationwide in May 2013, seven months after the initial release abroad. Hence, local mobile carriers gave up on the release in the market. In sharp contrast, the Nexus 5 will be introduced in Korea immediately after it is unveiled abroad, and therefore the launch is getting a lot of market attention.

Google's new smartphone will be the first to run the latest version of Android, called Android 4.4 KitKat. Equipped with a 4.95 inch full HD 1920x1080p display at a pixel density of 445 pixels per inch (ppi), its quad-core Snapdragon 800 processor is similar to that of the G2. But its 8 megapixel rear camera and 2300mAh battery are not as good as other premium smartphones.

Despite the two drawbacks, the Nexus 5 is said to have marketability due to its price competitiveness. Even

with the latest version of Android and a premium level of equipment specification, the 16GB model is 459,000 won (US\$431.92) and the 32GB is 519,000 won (US\$488.38). The price of the 32GB model is nearly half that of new Korean premium products such as Samsung's Galaxy Note 3 (1.067 million won, US\$999.90), LG's G2 (954,800 won, US\$894.76), and Pantech's Vega Secret Note (999,000 won, US\$932.76).


A source in the mobile telecommunications industry predicted, "I'm sure that the market will respond differently to the Nexus 5, compared to the previous one, which was released too late. Moreover, the Nexus 4 was a 3-G phone." The industry source added, "But I don't think that the new model can revive the dwindling market. The competition between Android devices is likely to only be more intense." 

CURVED PHONE COMPETITION

G Flex Curves Perpendicular to Galaxy Round

LG Electronics released its flexible smartphone, the G Flex, featuring its first curved display. It is now competing technologically against Samsung Electronics which previously released the Galaxy Round, opening doors to the flexible smartphone market.

On October 28, LG Electronics disclosed the design and specifications of its flexible smartphone, the G Flex. This model will be released next month via all three domestic mobile carriers and major global mobile carriers. The price will be somewhere around a million won (US\$943.00). LG's G Flex is trying to differentiate itself from Samsung's model in both design to features.

First, Samsung's smartphone is curved from left to right, emphasizing a firm grip. LG, on the other hand, made a smartphone that curves from top to bottom. 



The LG Flex, on the left, is curved from top to bottom.
The Galaxy Round, on the right, is curved from left to right.

4TH KOREAN MOBILE CARRIER

Will the Consortium Finally Earn Mobile Carrier Business License?

The consortium Korea Mobile Internet (KMI) applied once again for a license to run the country's fourth mobile carrier, promising to offer

cheap mobile rates. The country's mobile network market is now dominated by three mobile operators: SK Telecom, KT, and LG U+.

The consortium, comprising mobile virtual network operators (MVNOs) that rent networks from existing mobile operators, submitted a bid for a license on November 14 to the Ministry of Science, ICT, and Future Planning (MSIP), which is its 5th try to become the 4th mobile carrier in Korea. KMI plans to use LTE-TDD technology, rather than the original WiBro, to serve as a mobile carrier business.

MSIP will go through a qualification examination of the business approval request within 60 days, based on the documents submitted by

KMI, that show whether or not the business fits the policies related to public interests, if it will announce frequency allocation, etc. Also, within 120 days, MSIP will make its final decision after reviewing KMI's technical and financial abilities, adequacy of user protection plans, and other business proposal reports.

KMI has requested business approval four times since 2010, but failed to earn its business rights as a mobile carrier. It has been criticized for under-qualifying in its financial abilities each time.

This time, KMI set its establishment capital at 853 billion won (US\$802 million). If the business is approved, it will establish a corporation and receive 47 billion won (US\$44 million) in spot


investment, increasing the total capital to 900 billion won (US\$844 million). Also, by next year, it will spend another 800 billion won (US\$752 million) in foreign investment and obtain additional 400 billion won (US\$375 million) domestically through publicly-subscribed shares. An investment company in Hong Kong also agreed to put in 1.2 trillion won (US\$1.1 billion), allowing KMI to increase its capital to 2.1 trillion won (US\$1.9 billion) by next year.

If KMI earns its business rights, it will provide LTE-TDD services in 85 cities within the country by April 2015. By July 2015, KMI will complete networking down to the district level,

beginning nation-wide services.

Rather than providing the services directly to the customers, KMI will lend its networks to companies (affordable phones) trying to provide LTE-TDD mobile services.

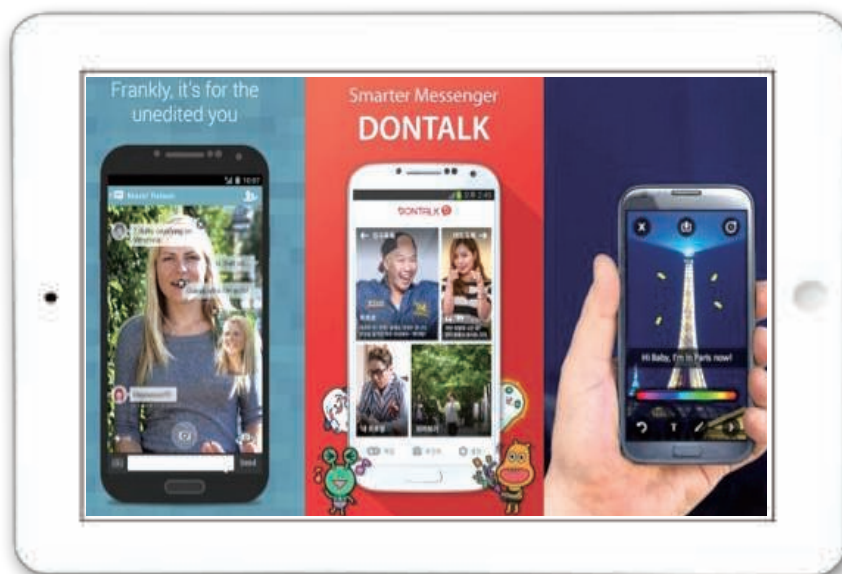
KMI will charge a basic fee of 8,000 won (US\$7.50) per month, plus 1.4 won (0.132¢ US) per second of calling. It will provide wireless Internet for 30,000 won (US\$28.21) per month.

KMI also announced it has signed strategic partnership agreements for LTE-TDD equipment development and provision with Samsung Electronics, Ericsson LG, Nokia Siemens Networks, Huawei, and Alcatel-Lucent. 



MOBILE MESSENGER MARKET

3rd-gen Messengers Based on Anonymity Becoming Increasingly Popular



Late starters are trying to increase their presence in the fast-growing mobile messenger market. The competition is likely to heat up over time with the popularity of third-generation messengers, which are characterized by anonymity and the right to be forgotten, on the rise.

Local venture firm Brinicle's Dontalk, which made its debut earlier this month, has attracted more than 450,000 subscribers so far.

Although the number is easily eclipsed by KakaoTalk's 35 million in Korea alone, it is increasing by a couple of thousand each day these days.

Dontalk focuses on the message function to distinguish itself. The message that is sent can be deleted if the


other party has yet to open it. Person-to-person talk is also available in a group chat room. An additional chatting window has to be opened in KakaoTalk in order to do so, but Dontalk does away with this inconvenience. Plus, if necessary, the message can be deleted permanently after being shown for only 10 seconds or less.

SK Planet joined the race as well by launching Frankly Messenger. Developed by its subsidiary Tictoc Planet, the messenger concentrates on anonymity and the freedom to be forgotten, targeting those customers tired of existing messengers. In the system, a message disappears on both the chatting windows of the sender and the receiver 10 seconds after the latter checks it. The

deleted message is not kept and thus cannot be restored. Group chat rooms are on an anonymous basis, too.

In the meantime, Tgrape released Shot.ly Messenger to let its users send messages and photos at the same time during a smartphone conversation. The enhanced photo-related functions are expected to be very popular with young people, who tend to prefer photobased to text-based communication. The pictures and messages are removed after a certain period of time as well.

Such third-generation messengers are becoming increasingly popular in overseas markets, too. For example, the three year-old Snapchat is appealing successfully to American teenagers. Though the service is quite simple – a message and photos being deleted in 10 seconds after opening – it is spreading like wildfire among the young generation with a strong group mentality.

Although the growth is rapid, the third-generation messengers are unlikely to catch up with existing mobile messengers for a while. This is because the influence of KakaoTalk, Line, WeChat, WhatsApp and the like is still huge and their services are still much better. Under the circumstances, the number of people continuing to use the old ones while making use of the new ones as sub-messengers is expected to increase down the road. Also, much attention is being paid to what new functions and services will be added by the second-generation messengers. 

“KILLING TIME” CONTENT

Market of Smartphone-based Entertainment Content Growing Rapidly



Candy Crush, a mobile game distributed in Korea via the social network KakaoTalk, has been crushing all in its path lately.

The killing time content market is growing at a rapid pace while dominating the PC-based cultural content market. Including the animation character market, the market size is expected to reach eight trillion won (US\$7.5 billion) this year and 15 to 20 trillion won (US\$14-18 billion) in 2014.

According to the Korea Creative Contents Agency, the Korean mobile game market has grown 89.1% year-on-year to amount to 800 billion won (US\$756 million) in size. The amount is forecast to reach 1.2125 trillion won (US\$1.1461 billion) at the end of this year.

The channels through which people consume cultural content are showing trends of personalization and miniaturization. These days, smartphones and


tablet PCs are taking the place of movie theaters, TVs, PCs and laptop computers that were prevalent for several decades.

Under the circumstances, the popularity of webtoons is skyrocketing in particular. An average person takes a couple of minutes to watch a cartoon or play a game on his or her smartphone or tablet PC. The duration of the entertainment is slightly over one minute for one round of a mobile game and 90 seconds for a short animation. Still, these market segments are growing explosively indeed.

Webtoons, which originated from the PC environment, are also accelerating their growth thanks to the development of mobile technology. It is superseding traditional cartoons fast, as more and more people become willing to pay their

money to web cartoonists.

Last year, the local webtoon market accounted for approximately 14% of the entire comics market, with a size of about 100 billion won (US\$94 million). The figures are predicted to increase to 295 billion won (US\$279 million) and 35.6% in 2015.

Mobile games are benefiting greatly from the popularization of smartphones and social networking services, too. SNS-based games, most of which are puzzle and board games, can be played within a short span of time and are easy to play, unlike online MMORPG games. Ani-Pang has recorded 28 million cumulative downloads in just a year from its debut, and Everybody's Marble recorded 10 million downloads in just four weeks. 

PET CARE

Smart Phone Technology Making Pet Care More Convenient

The pet market is growing rapidly as the number of single-person households and the average age of the population are increasing.


Cable TV company CJ HelloVision is planning to launch Dog TV next month via its digital cable TV channel Hello TV. It is the world's third TV channel dedicated to dogs, following those available in the United States and Israel. The first broadcast of the program was in San Diego, and it has been aired via a nationwide network since August this year to attract over one million subscribers up to now.

The purpose of Dog TV is to entertain dogs staying alone at home and relieve their stress. The pro-

grams are based on data provided by animal behavioral psychologists, and the screen takes into account the colorblindness of dogs, who recognize only yellow and blue. The sound volume is adjusted to not harm their auditory organs, and dog barking sounds are removed.

In the meantime, a smart phone-based service allowing dogs' vaccination schedules and location information to be checked has been launched, too. NFC solution developer Brandom recently released the Petbook service using a mobile application and a smart tag with a built-in NFC chip. Petbook users can type in their dogs' profiles and registration numbers via the tag and

application while managing the vaccination schedules and pictures of their dogs. In addition, a missing dog report function is provided so that anyone who found a lost dog can get in contact with the owner by means of a smart tag.

Using Open Brain Tech's Pet Station, pet dog movement at home can be monitored in real time remotely. The system feeds the dog regularly while supporting video calls via Skype. The main body has a two megapixel camera lens with which the motions and facial expressions of a dog and its owner can be seen. The Pet Station can be connected to a WiFi network for video calls through a smart phone or tablet PC. 



Dogs are interested in watching Dog TV, which organizes their content in 3-6 minute segments designed to keep them calm. 22 November 2013

TV WARS

Korean TV Makers in Dilemma while Chinese Companies Create New Market



A UHD TV launched by the Chinese #1 seller Skyworth.

Korean TV manufacturers, which have dominated the global market since the mid-2000s, are finding themselves in a dilemma due to the global economic recession and the resultant decrease in demand. With the industry recording negative growth for two consecutive years, the business environments are far from favorable for them, too.

The decline in demand can be attributed to not only the financial recession but also the digital broadcasting conversion in advanced economies. The supply glut has led to a significant drop in the prices of TV sets.

The situation has affected display panel manufacturers as well. The LCD panel price is forecast to continue dropping until at least next year. According to Shinhan Investment Corporation, that of 42-inch TV panels is predicted to go

down from US\$289 to US\$210 between December 2012 and March 2014.

As recently as earlier this year, Korean TV makers took a wait-and-see attitude as to the UHD TV market. In the meantime, Taiwanese display panel and Chinese TV manufacturers caught them by surprise with their own UHD TVs and the fast growth of the Chinese UHD TV market.

According to market research firm NPD DisplaySearch, the global UHD TV shipments are estimated at approximately 1.3 million units, over 70% of which is taken up by Chinese companies. "China will account for more than 50% of the global UHD TV shipments between 2013 and 2017," said Paul Gray, director of TV Electronics Research or NPD DisplaySearch, adding, "Chinese TV makers are likely to pose a threat to leading UHD TV makers like Samsung Electron-

ics, LG Electronics, Sony, and Panasonic beyond their home turf."

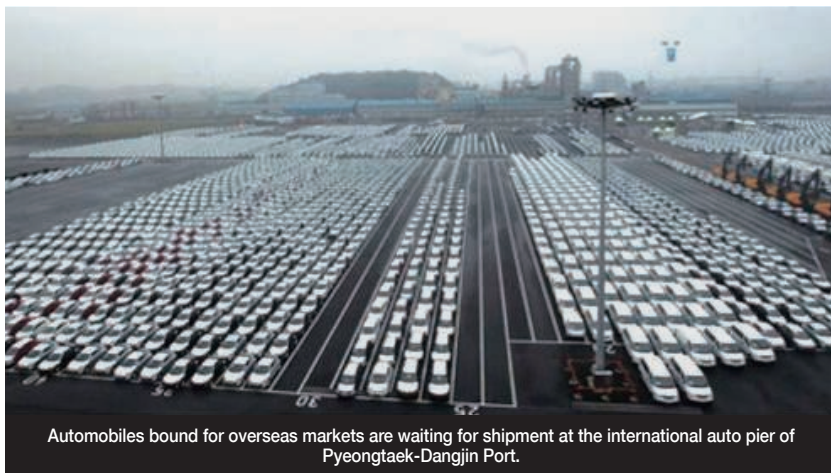
Korean electronics makers have concentrated on OLED TV, which is considered to be more advanced than UHD TV. Their strategy was to retain their market leadership by replacing LCD TV with OLED. However, OLED panel production yield has been unstable, so the industrial ecosystem has been slow to be established and OLED TV prices are still high around the world. Since the first half of this year, Samsung and LG have not released any OLED TV. The local sales volume is estimated at just thousands of sets.

Under the circumstances, the market outlook is getting bleaker. Between the first and third quarters of this year, NPD Display Search has adjusted its OLED market size estimate for next year downward from 600,000 units to 250,000.

Industry experts are stressing that Korean manufacturers have to create UHD TV demands mainly in the United States and Europe, based on aggressive marketing strategies and their high brand awareness, if they are able to continue their dominance in the global TV market. Also, more interest and investment are necessary in the UHD and OLED TV segments alike. "Taiwan and China almost caught up with Korea when it comes to LCD panel manufacturing, but the latter is a couple of years ahead of the former as far as OLED panel technology is concerned," said Lee Choong-hoon, head of UBI Research. He continued, "Korean companies would be well advised to distinguish themselves by means of OLED TV technology." 

AUTOMOBILE INDUSTRY

October Saw Record-breaking Car Exports amid Import Cars Selling Well



Automobiles bound for overseas markets are waiting for shipment at the international auto pier of Pyeongtaek-Dangjin Port.

The amount of exports in the domestic automobile industry marked the highest in the monthly record in its history.

According to the “Automobile Industry Trend in October” announced by the Ministry of Trade, Industry, and Energy on November 10, last month, 280,609 cars were exported. This is 9.0% higher than the previous month, due to the normalization of Hyundai and Kia Motors operations. In fact, the actual amount of exports reached US\$4.65 billion, which is the highest in monthly record, thanks to the increase of average export costs and other factors.

Domestic sales volume for the same period of time also increased 19.7% compared to the previous month, to 137,035 vehicles, due to improvements in consumer psychology and the high demand of RV and imported models. However, compared to the same period in the previous year, there has been a 0.2% reduction, as a base effect of the reduced individual consumption tax for

automobiles in Q4 last year.

Domestic brands sold 122,027 vehicles, increasing 17.2% compared to the previous month (101,021). Per brand, Hyundai Motors sold 57,553 vehicles, which is an increase of 11,296. Kia Motors sold 39,000, with an increase of 6,877, and Chevrolet sold 13,922 with an increase of 670 vehicles. SsangYong Motors showed good progress, selling 6,202 vehicles, which is an increase of 1,770. However, this is 1.3% less than October last year, when the Korean Thanksgiving holidays were included.

On the other hand, the market for imported cars also continues to do well. According to KAIDA, the amount of imported vehicles in October is 14,154, which is 17.8% higher than the same month the previous year (12,019). Compared to September (12,668), there has been an 11.7% increase. As for the number of registered imports per displacement, there were 8,163 vehicles with less than 2000cc, making up 57.7% of the total. 29.5% (4,170 vehicles) were


from 2000~3000cc. 12.9% were above 3000cc. By country, Europe took 81.7%, which is 11,568 vehicles, Japan 10.7% (1,515 vehicles), and the US 7.6% (1,071 vehicles).

On the top 10 list of registered cars per brand, BMW is in first place with 2,939 vehicles. Volkswagen follows with 2,890 vehicles, Mercedes-Benz with 2,238, and Audi with 1,803. German brands dominated the top 4. Ford's Lincoln marked 702 vehicles, the Mini 522,

Lexus 463, Toyota 418, Chrysler 343, and Land Rover 285. The best-selling model in October was Volkswagen's Tiguan 2.0 TDI BlueMotion (736 vehicles), the Volkswagen Passat 2.0 TDI (588), and the BMW 520d (555).

A Danawa Automobile associate said, “In the same month last year, the sales ratio of imported to domestic cars were 8.8 to 91.2, but this year, the ratio is 10.4 to 89.6, with imported cars breaking 10%.”

Despite the global economic uncertainties, there were 425,557 vehicles produced, powered by operation normalization and increase in export. This is 7.3% higher than last year, and the highest monthly value so far this year.

In fact, the accumulative domestic vehicle production since January to October this year has reached 79,658,767. Considering the recent trend, this number will break 80 million within this month. Since 1955, with the production of Korea's first domestic model “Sibal,” it took 37 years to produce 10 million cars. However, the country's 8th set of 10 million cars will be produced in only two years and two months. 

CAR MARKET OPENING

European Automakers Asking for Even More of Korean Car Market



Hyundai Motor Company test drives the new Genesis on November 4 (local time) on the Nürburgring Circuit in Germany.

European carmakers on a roll in the Korean market demanded to President Park Geun-hye, who is paying a state visit to European countries, that Korea further open the market. Their Korean counterparts reacted strongly against the call.

The Association of European Vehicle Manufacturers (ACEA), European Association of Automotive Suppliers (CLEPA), and European Tyre & Rubber Manufacturers Association (ETRMA) released a joint statement on November 7 (local time) and said, "On the night before the summit talks between the EU and Korea, we ask the Korean government to take more measures to remove the trade barriers in the Korean automobile market."

They continued, "Our access to the Korean market has been limited due to the non-tariff barriers that have been in

effect or newly created in recent days, and the European Commission and the governments of EU member countries have to take urgent measures to lift the trade barriers."


They did not mention specific examples of the trade barriers, but industry insiders are saying that these include the certifications and inspections that imported cars have to go through before landing in the Korean market. These days, the tariff barriers are being removed in the wake of the conclusion of a two-way FTA.

At present, European cars exported to Korea have to clear the certification processes regarding exhaust gas emissions, fuel efficiency, and the like, even if they meet EU standards, due to the different environmental regulations here. In addition, exhaust gas regulations limit the sales volume of the vehicles with an

engine displacement of 2,000cc or less to 1,000 units per brand per year, and the Korean government is imposing rather strict restrictions concerning smart keys and the like for the protection of the local industry as well.

Korean carmakers are opposed to the call. "No less than 102,219 European cars have been sold in Korea during the first 10 months of this year alone, to account for over 78% of total imports," said an industry source, adding, "It is not appropriate that European carmakers such as BMW, Volkswagen, and Mercedes Benz, which are enjoying a much greater market share than their American and Japanese counterparts, claim that the barriers be lifted."

Korean automakers are subject to some discrimination in the European market, too. "The EU is demanding that the United Nations Economic Commission for Europe's environmental safety certification mark, known as the E Mark, be recognized in the Korean market, while not recognizing the Korean government's certification for the same purpose," said another industry expert, continuing, "In the meantime, Korea is recognizing the EU's standards in at least 32 categories."

It is pointed out that such strong requests are based on the European automakers' efforts to keep Hyundai and Kia at bay. "Hyundai and Kia successfully penetrated the European market, while the local carmakers stumbled during and after the recent financial crisis in Europe," said an economist, predicting that their pressure will keep mounting as the popularity of Hyundai and Kia increases in Europe. 

CAR INSURANCE SYSTEM

Revising Insurance for Foreign Cars by Improving System for Discounts and Premiums



Financial authorities began revising the automobile insurance policies for car repairs. They agree that the current discount and premium system can no longer handle the unreasonable amounts of premiums paid for repairing foreign vehicles.

Considering the changes that it will bring upon the general lifestyles of average citizens, increasing insurance fees is not a realistic answer to the requests that insurance companies make to recoup their deficits. Instead, authorities have decided to increase the repair premiums for certain models and brands of foreign vehicles, amidst controversy, as a means to keep things fair for insurance policyholders and to consider the industry's request to adjust the rates to fit the current situation.


The current repair premium structure allows a shortage of insurance for certain models of foreign vehicles overcharging when in accidents, to be covered by the insurance of other vehicles.

Of course, luxury brands such as Audi, Mercedes-Benz, and BMW have a high repair premium, as the vehicles themselves are expensive. However, when these vehicles are involved in accidents, their parts and repair costs are still way too high, even when the price is consid-

ered. Last year, the loss ratio for property insurance companies covering automobile insurance was 62.2% for domestic vehicles and 81% for foreign vehicles. The total amount of repair premiums paid for domestic vehicles last year was 5.4309 trillion won (US\$5.1083 billion), which is 0.4% higher than the previous year. However, for foreign vehicles, premiums paid were 473.7 billion won (US\$445 million), which is 16% higher than the previous year. On average, repairing foreign vehicles is three to four times more costly than domestic vehicles in accidents.

Authorities have gradually increased insurance premiums based on repair costs of foreign vehicles by adjusting the rates annually. But under the current system, the maximum percentage of a possible increase from the current insurance fee is 50%. Therefore, by expanding discounts and premium rates, authorities are changing the repair premium system, setting up for additional insurance rate increases for these foreign models. A financial industry representative said, "Currently, there are

21 grade levels per vehicle model, and if this is increased to 26, then models eligible for the top grade will be receiving an 11% increase in their repair premiums." The current system increases the insurance rate by 5% per grade level for a total of 11 levels, so by reaching the top grade level 1, the total increase in the insurance rate becomes 50%. In the top grades 1 through 5, some domestic models such as the Statesman are included, but mainly, 21 of 30 foreign brands such as Audi, Honda, Mercedes-Benz, and Volkswagen make up these levels.

An industry associate said, "Since the US-Korea FTA in 2010, foreign vehicles from the US and Europe tried offering discounts in their new models for marketing purposes, but the importers actually increased the prices for parts, causing repairs to become more expensive," and added, "The authorities are revising the repair premiums probably because they want to relieve the burden of insurance costs due to the increased repair costs of foreign vehicles." 

Current Foreign Automobile Insurance Premiums for Repairs

Level	Premium Rate	Model
1	50%	Audi A4, Honda (Accord, CR-V), Toyota ES, Volkswagen, Chrysler, Ford, Volvo, GM, Nissan, Peugeot
2	45%	Saab
3	40%	Audi A6, BMW (3 Series, 5 Series), Toyota Camry, Private Brands
4	35%	BMW Mini
5	30%	BWM 7 Series
6	25%	Mercedes-Benz (C Class, E Class)

※Data: Korea Insurance Development Institute

EVERLAND'S RESTRUCTURING

Signal of Accelerating Management Right Transfer to Third Generation



Samsung's Everland theme park is about an hour outside of Seoul.

At a November 4 board meeting, Samsung Everland decided to establish a wholly-owned subsidiary called Samsung Welstory by separating the food service and food ingredient distribution businesses that account for 45% of its total sales. The company also made a decision to transfer its building/asset management business, which makes up 10% of its total income, to Samsung Group's security firm S-1, for 480 billion won (US\$451.7 million). With the decision, Everland will be restructured into an engineering and asset (construction, energy, landscaping), resort, and newly-added fashion business.

The corporate takeover and restructuring efforts by the company are drawing a lot of attention in the industry. It is at the top of the group's corporate governance. Therefore, many expect that it will play the most important role in the hand-over of management rights in the future. To be more specific, Samsung Everland holds a 19.3% stake in Samsung Life, which in turn owns a 7.3% stake in Samsung Electronics. Through its cross-shareholding structure, Everland governs the group.

Currently, more than 40% shares of the soon-to-be restructured company are owned by the three children of Samsung Group Chairman Lee Kun-hee. For example, Lee Jae-yong, vice chairman of Samsung Electronics, is the largest shareholder with a 25% stake in Everland. Lee Boo-jin, President of Hotel Shilla and Samsung Everland, and Lee Seo-hyun, Executive Vice President of Cheil Industries' apparel business, hold an 8.37% stake each.

Moreover, Everland's decision came on the heels of its takeover of the apparel business in September. Therefore, industry analysts are saying that this move is part of Samsung's preparation to transfer management rights to the third generation of its founder.

Experts in the financial world are expecting that the handover of Cheil Industries' fashion division to the de facto holding company of the group will result in Lee Seo-hyun's transfer to Everland at the end of this year.

Some in the industry think that the food service and food ingredient distribution businesses are likely to be transferred to Hotel Shilla, since hotel and


food businesses are related.

Everland's engineering unit is also receiving a lot of attention. Inside the group, Samsung Everland, Samsung C&T Engineering & Construction Group, Samsung Engineering, and Samsung Heavy Industries are all engaged in the engineering business. In light of the recent incident that Samsung C&T increased its share of Samsung Engineering to 2.3%, some predict that the engineering field will be reorganized as well.

However, others believe that the recent corporate restructuring moves are aimed at evading the government's regulations on internal trading.

According to the amended enforcement ordinance of the Fair Trade Act, conglomerates' affiliates will be subject to the revised law from February next year, if the owning family holds more than 30% of shares of listed companies, or over 20% shares of unlisted firms. In addition, the law will regulate any companies whose trading with group subsidiaries exceed 12% of annual revenues, or those with more than 20 billion won (US\$18.9 million) in total internal trading.

As for Everland, internal trading represents 46.4% of the total. But after a number of business transfer, the percentage can be lowered to less than 30%.

Related to the November 4 decision, a spokesperson for Samsung Everland commented, "In line with our acquisition of Cheil Industries' apparel business, we decided to proceed with sales and separation of businesses irrelevant to design or content. On top of that, it was necessary to secure funds due to our purchase of Cheil's fashion unit and investment in next-generation businesses such as bio-related businesses." 

2013 ADVANCED AGRICULTURAL TECHNOLOGY EXPO

Korea hosts First Agricultural Convergence and Integration Show



The Advanced Agricultural Technology Expo (AATE) will be held at KINTEX in Ilsan from December 5 to 8. This is the first time that an event dealing with the agricultural industry's convergence and integration technologies will be held in Korea, and it will host 120 participants in 500 booths during the 4 day period.

Smart Farms, Vegetable Museum, Farming Gadgets, and More

The exhibition will consist of three pavilions: Convergence and Technology, Cutting-Edge Technology, and Advanced Mechanics. The Convergence and Technology Pavilion will display smart farms, vegetable factories, and high-tech farming gadgetry. The Cutting-Edge Technology Pavilion will display high-tech farming materials and energy recycling technologies. The Advanced Mechanics Pavilion will show equipment and vehicles such as

handheld tools, tractors, and combines.

Developing advanced technology strengthens Korea's competitive edge in the imminent age of free trade. AATE will invite key farming industry experts, government officials, and research scientists to introduce Korea's leading technologies and provide information relating to farming products. Overseas business consulting will also be offered to businesses interested in export trading.

The idea of this convention, sponsored by the Ministry of Science, ICT and Future Planning and the Ministry of Agriculture, Food and Rural Affairs, is to introduce ICT Convergence and Integration for farming business around the world, and act as Asia's premiere promotion vehicle for farming technologies.

The event spokesperson said, "Europe is hosting AGRITECHNICA in Hannover, Germany, and the United

States World Ag Expo in Tulare, California. We think that it is necessary for us to have our own show to attract audiences who want to know more about Asia's farming business." The spokesperson added, "With this show, we will introduce some of the cutting-edge technologies of Korea, and coordinate trade between international businesses and Korean farmers."

Events to Be Held including "Farm-brewed Beverages" Festival

Various events are scheduled for the 4-day event, including the International Symposium on ICT Convergence and Integration, the Presentation of Production Technologies for Advanced Projects and Business, the Forum on the Korea-Asian Mekong Farming Co-op, and the Rice Cake and Farm-brewed Beverages Festival.

For more details, visit www.aate.kr.

2013.12.5 [Thu] > 8 [Sun]
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Ministry of Agriculture
Food and Rural Affairs

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SOFTWARE INDUSTRY

Mid-scale Companies Increasing Role in Software Industry

It has been found that the number of Korean companies in the local software market with at least 30 billion won (US\$28 million) in sales has surged since 2009. Software industry insiders are considering that the sales of mid-sized software development companies have soared with the importance of the economy of scale on the rise in the industry.

According to the Ministry of Science, ICT and Future Planning and the Korea Electronics Association, the software output of such companies increased 73.36% from 605.4 billion won (US\$570 million) to 1.0495 trillion won (US\$988 million) between 2007 and 2011. Meanwhile, the output fell 3.89% from 1.0387 trillion won (US\$977.97 million) to 998.3 billion won (US\$939.3 million) during the same period for firms with annual sales of between one and five billion won.

Until the recent past, the latter took the largest portion in the local software industry with an annual output of over one trillion won. However, they gave way to the former in 2011. Industry




Industry experts stress that more support measures from the government for mid-sized software developers are needed.

experts are interpreting the shift in the ecosystem with the theory of the economy of scale.

“Small firms in the local software market used to vie with each other in segmented sectors,” said one of them, adding, “However, companies with at least some size are showing greater competitiveness these days as the speed of market change is going up and the complexity is increasing.”

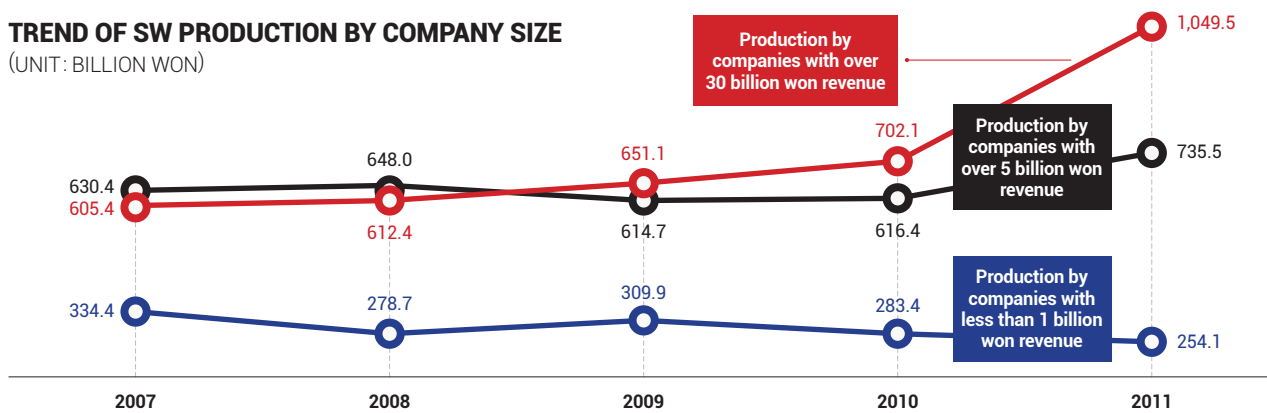
The trend can be clearly seen with sales per company. As of 2011, each of the 732 software firms in the one billion to three billion won category recorded 1.364 billion won (US\$1.283 million) in

annual sales on average. Meanwhile, the average annual sales of the 52 companies in the over 30 billion won category amounted to 19.8 billion won (US\$18.6 million).

Many in the industry are pointing out that the government needs to come up with more support measures for mid-sized software developers, in addition to those for smaller firms, in an effort to promote their growth. Their consensus is that the overall industrial ecosystem can be developed in a balanced way only when the sectors that small and mid-scale firms are good at are in synergy with each other. 

TREND OF SW PRODUCTION BY COMPANY SIZE

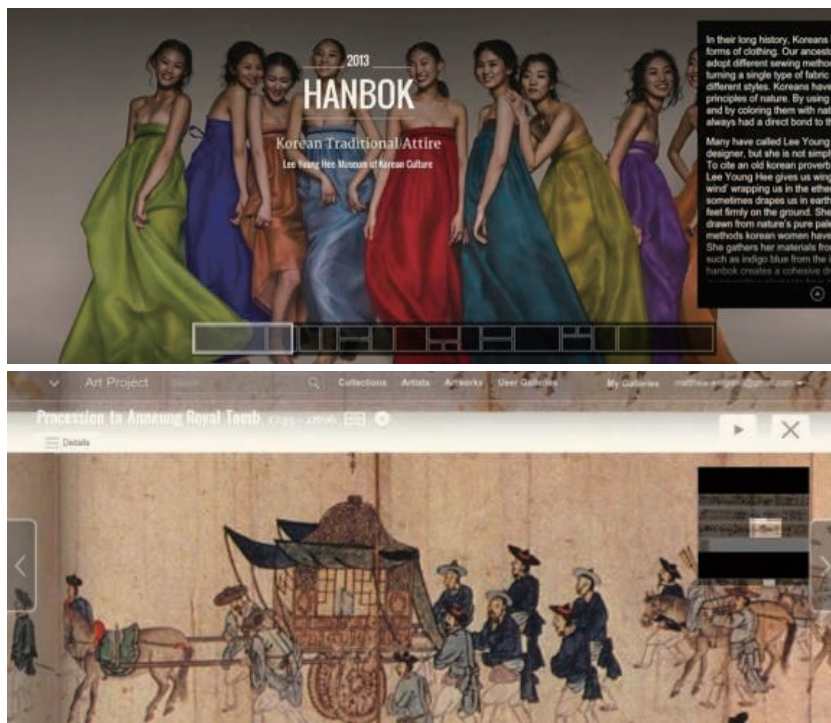
(UNIT: BILLION WON)



※Source : Ministry of Future, ICT and Future Planning, Korea Electronics Association

KOREAN CULTURAL HERITAGE

Google Cultural Institute Launches Online Collection of Korean National Treasures



The Google Cultural Institute revealed its exhibition on Hanbok at the Google Big Tent event on October 30 at Platoon Kunsthalle in Gangnam, Seoul.

Google announced that it has launched an online art exhibition of several thousand Korean cultural artifacts, works of art, and museum pieces on its Google Cultural Institute web site. The announcement was made by Amit Sood, director of the Google Cultural Institute, during his speech at its Big Tent event on October 30, at Platoon Kunsthalle in Gangnam, Seoul.

The exhibition is the result of extensive collaboration that the online search company has pursued with many different museums and art galleries in Korea,

among them the National Museum of Korea.

The collection of Korean artwork on the Google Cultural Institute web site has been assembled by the Korea Database Agency.


The Google Cultural Institute web-site allows users to explore Korean paintings, statutes, and other works of art in a manner that is not possible physically, by zooming closely into the work and examining it in almost microscopic detail. Famous works such as the Procession to Anneung Royal Tomb and Scenery on Dano Day can be examined in great detail by anyone in the world in a moment.

In addition to the exhaustive exhibition collection of traditional Korean art-

work are exhibitions about Korean Hanbok, Korean films, and Hanok. Hanbok is traditional Korean women's dress, and Hanok is the traditional housing style of Korea. These exhibitions include both text, images, and even video explaining the significance and interesting details on each topic. Amit Sood described the experience by saying, "I used to come to Seoul and see a few traditional houses, but I didn't understand what I was looking at until this exhibition was put together. But the exhibition is also fantastic for anyone studying architecture abroad."

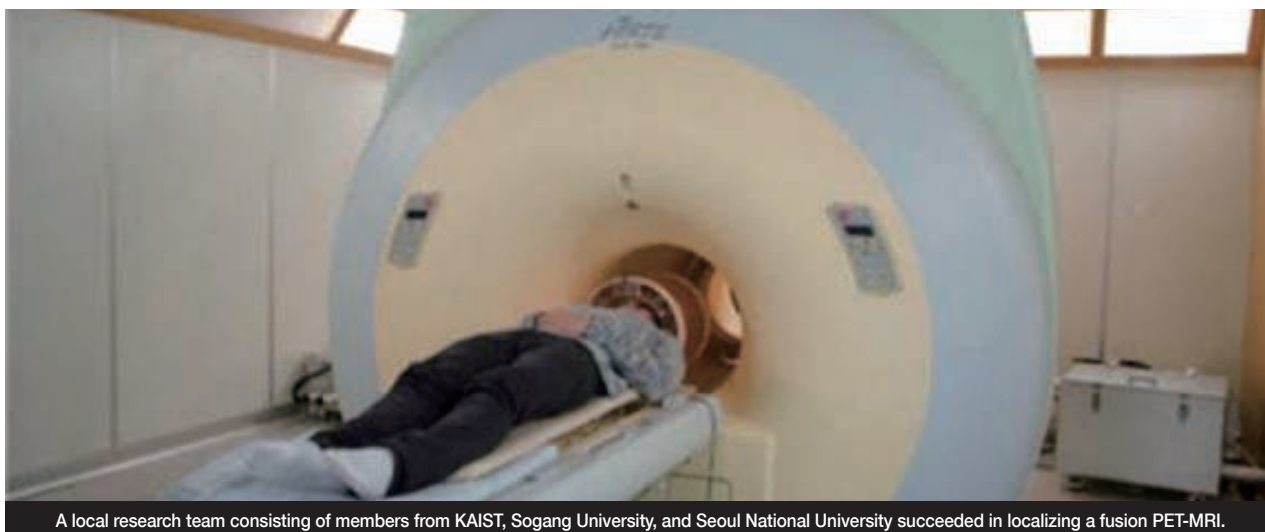
The Procession to Anneung Royal Tomb, an extremely long and detailed painting, can now be examined in detail in the comfort of your own computer.

Director Sood also went on to tell about what else has been added to the Google Cultural Institute web site since it was launched in 2010. "In 2011 we had 17 museums that had given us content," he explained, "but as of this morning we have over 200 museums participating." He showed that it was possible to view every art installation in the Museum of Modern Art in New York, and then walk the halls of Versailles in France. The Google Cultural Center has adapted Google's Street View technology to be able to create virtual tours of participating museums, so using the same point-and-click interface, users can virtually visit museums all over the world in a single afternoon.

To visit the web site, simply go to www.google.com/culturalinstitute. The specific exhibitions on Korean art, film, Hanbok, and Hanok can also be accessed by following their respective links. 

NEXT-GEN MEDICAL IMAGING TECH

Local Research Team Succeeds in Localizing PET-MRI for Early Diagnosis of Dementia



A local research team consisting of members from KAIST, Sogang University, and Seoul National University succeeded in localizing a fusion PET-MRI.

On November 13, KAIST announced its team led by Professor Cho Kyusung of the Nuclear and Quantum Engineering Department joined by researchers from Sogang University, Seoul National University, and the National NanoFab Center successfully developed a “PET-MRI Fusion Imaging System,” noted as a piece of next-generation medical imaging equipment.


A PET-MRI is the latest medical imaging technology which combines an MRI’s anatomical imaging with a PET’s functional imaging. It allows for early diagnosis of cancer and especially dementia with its ability to obtain both the anatomical and functional status of the human body. It is considered a key piece of equipment for new pharmaceutical developments as well.

However, the PET-MRI market has been dominated by a few foreign global

enterprises such as GE, Siemens, and Philips. Domestic medical facilities had difficulties with installing the equipment and dealing with the high prices, ranging from 7~10 billion won (US\$6.5~9.3 million). Therefore, the research team expects this new development to become a foundation for upgrading the level of domestic medical technology offerings.

To be specific, the current PET-MRI procedure consists of taking separate PET and MRI images then combining them later, which increases examination time and errors depending on a patient’s movement. On the other hand, Professor Cho and his team solved this problem by creating a singular system which attaches and detaches the brain-PET module and the MRI head coil from a full-body MRI scanner. This is more convenient, precise, and even more affordable to produce.

The research team developed a new silicon photomultiplier sensor to be used in strong magnetic fields, and a PET imaging restructuring program based on these silicon photomultiplier sensors. Also, the team secured a technology that allows RF Shielding to use a PET and MRI at once, and a separate head coil to be connected to the PET for scanning brains only. In June, the team successfully obtained PET-MRI fusion imaging of the brains of three test group members.

Professor Cho said, “Using a PET-MRI will increase precision in early diagnosis of dementia and other brain diseases, as well as allow a groundbreaking reduction in check-up costs,” and added, “The market related to PET-MRI is expected to continue growing, so we are looking forward to creating higher value-added businesses.” 

POLYKETONE DEVELOPMENT

Hyosung Develops Groundbreaking New Material Comparable to Nylon



Products created using Polyketone are exhibited in a recent product expo.

“At present, five materials account for 90% of the global engineering plastic market, but none of them has surpassed the polyamide or nylon that were developed in 1938, whether in terms of physical properties or price,” said Woo Sang-seon, head of the Hyosung R&DB Labs on November 4 at a press conference in Seoul. He added, “However, my company has opened a new chapter in the high-polymer material industry by coming up with polyketone.”


His confidence is based on the fact that polyketone has superior properties compared to existing plastic engineering materials. For example, polyketone’s impact strength and chemical resistance are at least 2.3 and 2.5 times higher than those of nylon, respectively. This means that it can be a better material for use in vehicle wheel covers, electrical and electronic connectors, engine covers, anti-freeze containers, and fuel tank caps, for instance.

At the same time, polyketone’s wear resistance is 14 times higher than that of polyacetal, which is the most rigid high-polymer material, and thus it can be utilized as a part of electrical and electronics devices, gears and the like. “In addition, because our new development has a degree of textile elasticity more than double those of existing materials, it can have a wide range of applications in the manufacturing of tire cords, industrial ropes, and hoses,” he continued, adding, “There is an additional advantage on the production side that the raw material can be procured at an inexpensive cost by using the pollutant of carbon monoxide.”

Hyosung’s development is especially meaningful in that it is an original technology. “Up to now, many American and Japanese companies have made continuous attempts, only to fail, to develop polyketone,” the director added, “Our owner-led long-term investment has borne fruit in the development of the new

material that requires five years of R&D at the least.” The company began the development in the early 2000s.

Hyosung is expecting that it will be able to monopolize the production and sale of polyketone worldwide, once it establishes a mass production system by 2015. The newly-created added value is expected to be over 10 trillion won (US\$9.4 billion), including the direct added value of one trillion won (US\$940 million). “By our estimation, the original technology will increase the added value by a factor of 26.7 when applied to auto parts,” he continued.

“The global engineering plastics market is forecast to reach 66 trillion won [US\$62 billion] in size in 2015, in which we will take a big share by commercializing the polyketone resin,” the company remarked. It went on to say, “In doing so, we will raise our global engineering plastic market share to over 30% down the road.” 

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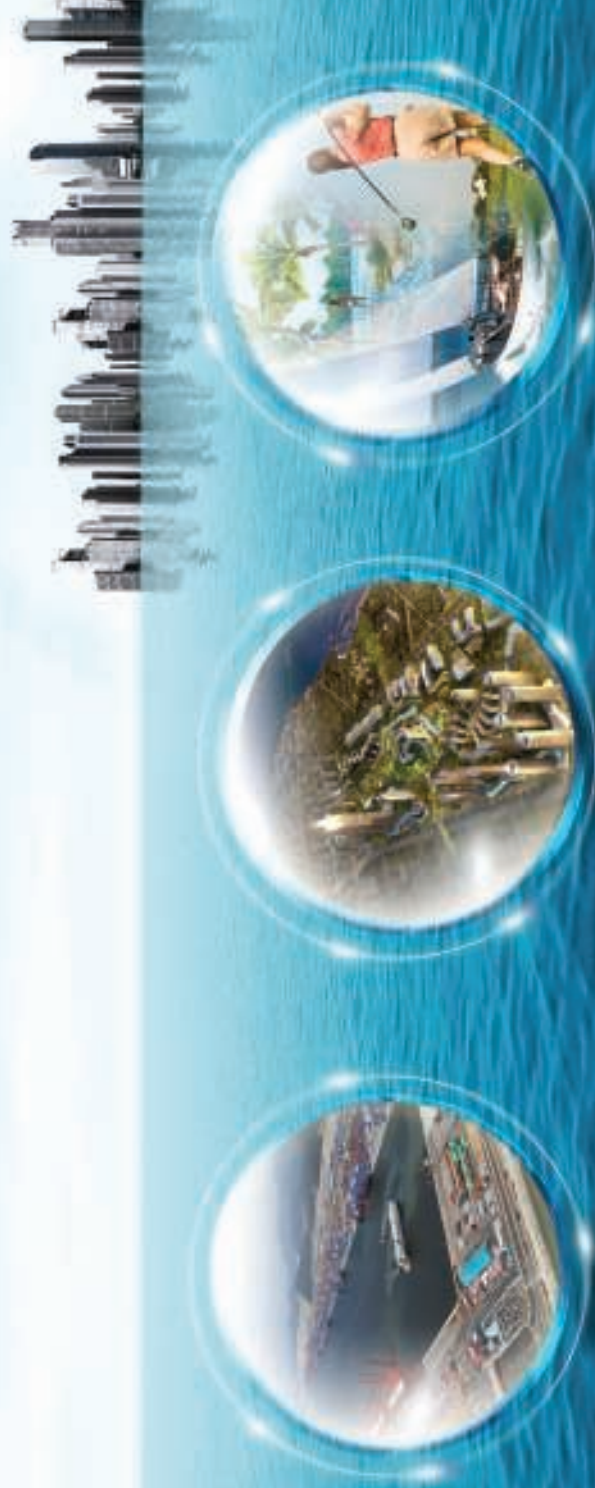
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